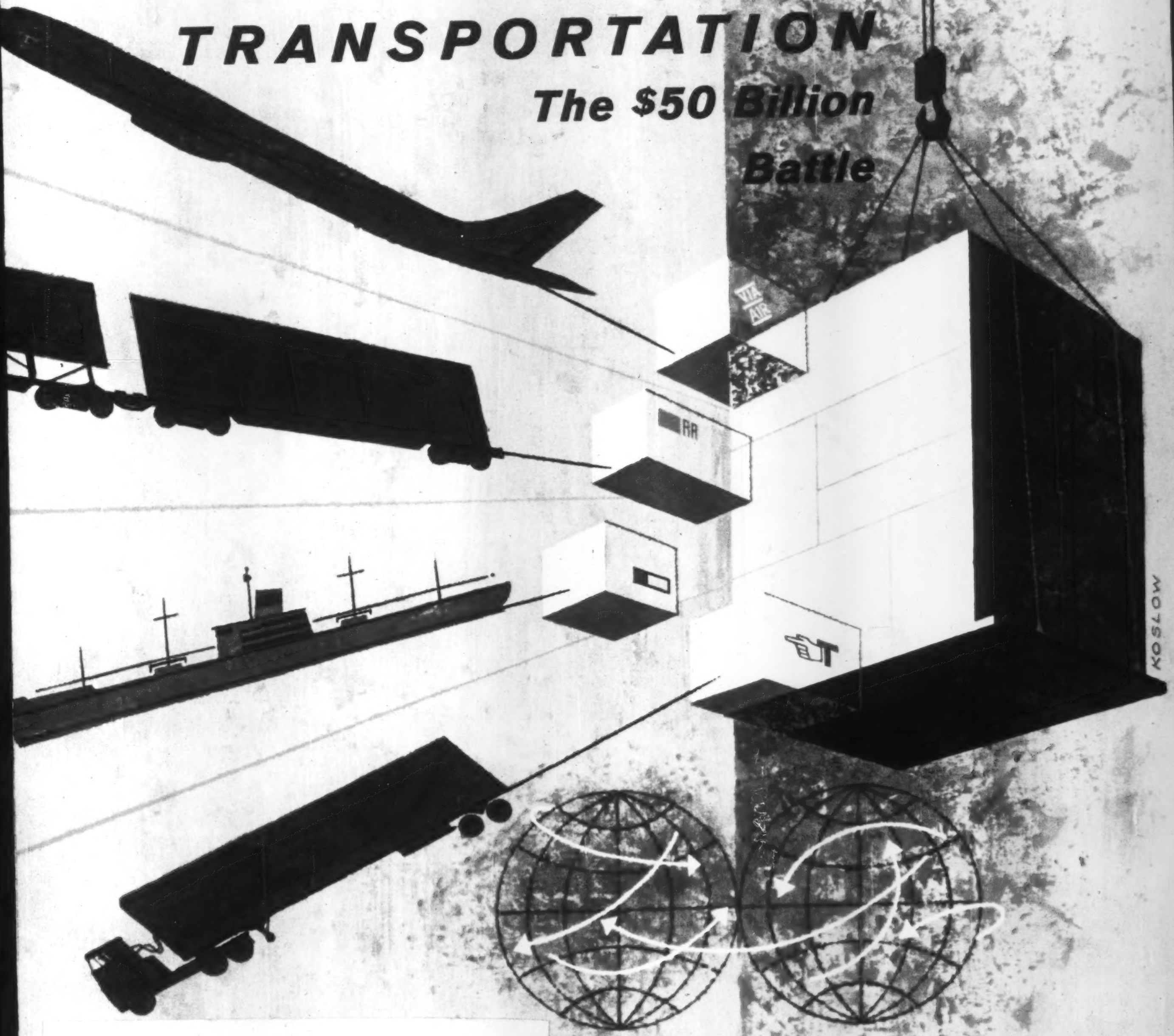
June 1961 75c

DUN'S REVIEW
AND MODERN INDUSTRY

- AT&T's New Growth Gambit
- Freedom to Make Mistakes
- How Good Are No Load Funds?

TRANSPORTATION
The $50 Billion Battle



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AND MODERN INDUSTRY

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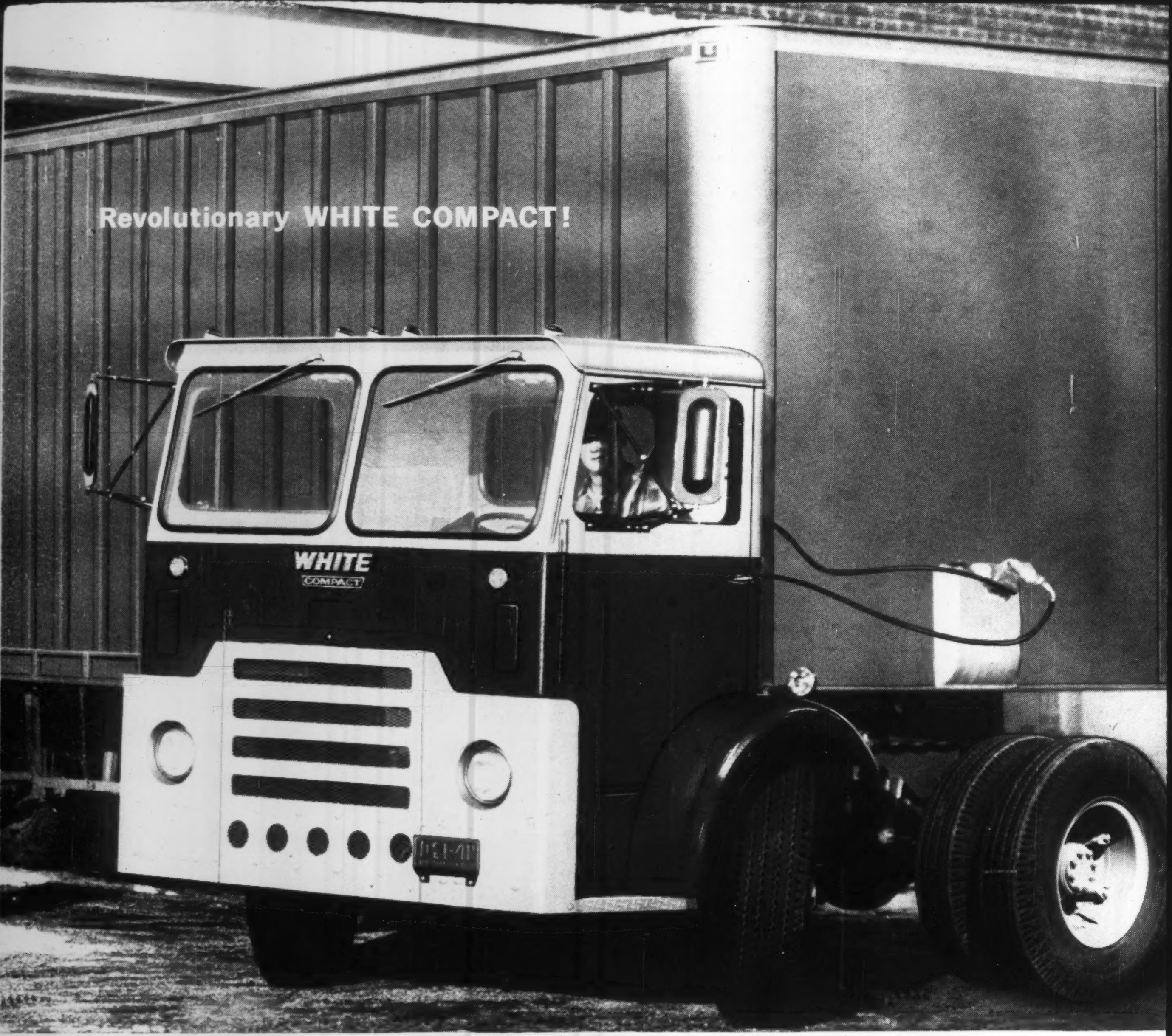

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DUN'S REVIEW AND MODERN INDUSTRY, June 1961, Vol. 77, No. 6. Published monthly by Dun & Bradstreet Publications Corp., J. Wilson Newman, President. Publication Office: 300 West Adams St., Chicago, Ill. Second class postage paid at Chicago, Ill.

EXECUTIVE OFFICE
EDITORIAL OFFICE
SUBSCRIPTION OFFICE
ADVERTISING OFFICE
99 Church Street
New York 8, N.Y.

Subscription: $5 a year in USA and Possessions, and Canada. Elsewhere, $10. Single copy, 75 cents. Please state title and employing company when subscribing.

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PHOTO CREDITS: *Cover,* Howard Koslow. *Page 24,* Wide World; *page 30,* Nelson Morris; *pages 35, 36, 37,* Information Service of South Africa; *page 40,* A. Devaney; *page 43,* courtesy Pennsylvania Railroad; *page 52, top,* courtesy Louisville & Nashville Railroad; *page 65,* Oscar & Associates; *page 68,* Prestige; *page 73,* Port of New York Authority; *page 74, bottom,* UPI; *pages 88, 89,* Prestige; *page 95,* Werner Wolff, Black Star; *page 98,* Superior Studios; *page 101,* Prestige; *page 104, top,* courtesy Canadair Ltd.; *page 111,* courtesy Selvage & Lee; *page 120,* Larson; *page 122,* courtesy Dravo Corp.; *page 133,* Prestige.

Letters to the Editor

Prices & Plaintiffs

To the Editor: In the present Donnybrook on price-fixing ("Price-Fixing: What's the Answer?" DUN'S REVIEW, May), the only thing missing up to this point is the plaintiff.

It appears that it has been proved that telephone conversations, golf meetings, etc. occurred during which time men in the same, but competitive, lines of business met. This is apparently a crime under the antitrust laws. I do not believe the antitrust laws say that. I believe the laws insist that "harm to the public" must be proven as a result of such meetings.

Under the White House's new edict of publishing identical bids, the next time our company bids on a Government contract I'll have no choice except to telephone my competitor to make sure we don't come up with the same figure. This will be "conspiracy" to avoid accusations of "conspiracy," and I can be convicted for "price-fixing."

JULIUS B. B. STRYKER
Philadelphia, Pa.

Three-way Reaction

To the Editor: We certainly concur with your statement that there has been a "three-way reaction among businessmen" toward psychological aptitude testing ("The Myth of the Psychologist," DUN'S REVIEW, April). However, you might have gone further by pointing out those companies which have used psychological testing on a sustained basis over the years and have found it to be a most helpful instrument when placed side by side with management's own thinking and judgment.

Certainly, no one can argue against the fact that psychological aptitude tests do provide additional "intelligence" which is usually not readily obtainable elsewhere.

CHARLES K. RUDMAN
President,
The Klein Institute for
Aptitude Testing, Inc.
New York, N.Y.

Those Hidden Pounds

To the Editor: I think you did remarkably well with the difficult subject of obesity ("Those Hidden Pounds," DUN'S REVIEW, April). I believe I was quoted accurately, but have one point of mild disagreement: Reports from diagnostic clinics show that significant overweight is actually less prevalent among top executives than it is in lower management groups or even in some hourly paid groups.

B. L. VOSBURGH, M.D.
Medical Consultant,
General Electric Co.
Schenectady, N.Y.

To the Editor: [It] scared the bejabbers out of me. And with this waistline, I can afford to lose bejabbers.

J. B. DEVINE
New York, N.Y.

Diamond Duties

To the Editor: Your statement in "Sales and Distribution" (DUN'S REVIEW, May) that "the domestic price of diamonds includes a 55% duty" is inaccurate. There is no duty at all on uncut diamonds coming into the U.S., while the duty on unset polished diamonds is 10%.

R. A. POND
President,
A. H. Pond Co., Inc.
Syracuse, N.Y.

DUN'S was referring to the price of imported set diamonds—the kind that shoppers buy across the retail counter—which does include a 55% duty and a 10% excise tax.—ED.

One That Got Away?

To the Editor: Why does "There's Money in Fun" (DUN'S REVIEW, April) ignore the country's largest participant sport—fishing—except to note that American-made fishing tackle is seriously threatened by rivals from abroad?

More than 30 million men, women and children fish in the waters of the U.S., constituting the largest single group of active sportsmen. Fishermen buy more than 60% of the boats and motors sold and are also a factor in the reported growth of camping equipment sales.

JOHN G. ZERVAS
Publisher,
Tackle Times
Bethpage, N.Y.

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WASHINGTON DESK

DUN'S REVIEW
AND MODERN INDUSTRY
June 1961

The tax bill battle is getting hotter and angrier. The Administration is fighting desperately to salvage its program. Even now, though, top officials are looking beyond this year and into 1962. They've started to think about the tax revision program that President Kennedy has promised to lay before Congress next January. And there is a deepening conviction that it will be possible not just to revise the tax system--but to give the public a tax cut as well.

There's an important difference between tax revision and tax reduction. When taxes are revised, Uncle Sam takes back with one hand what he gives with the other. Revenue losses from one set of revisions are offset by revenue increases from another. When taxes are cut, however, there is an actual loss of revenue, and that is the sort of program the Administration is now seriously discussing.

There has been no decision as yet--and there will be none until late fall at the earliest. The alternative possibilities have to be worked out. But the President will keep an open mind until just before he sends his Budget Message to the printer.

There are many problems. If the business upturn keeps on gaining momentum, a tax cut would be undesirable. All that untaxed money might overstimulate the economy, lead to inflation. If the upturn drags--as many Administration experts think it will--the objections to a tax cut will come from other quarters. Some conservatives will warn that a tax cut makes a budget deficit more likely. Some liberals will argue that the Government ought to spend more for schools, roads, and other public projects, instead of trimming taxes. Right now, the Treasury Dept. is showing the most enthusiasm for a tax reduction, but the politicians will be climbing aboard the bandwagon when the word gets around--particularly those Democratic lawmakers who will be up for re-election next year.

* * *

Look for the President's Committee for Equal Employment Opportunity to get tough--very tough--with Government contractors. Its task is to wipe out job discrimination and it means to do just that. Mr. Kennedy told the Committee to eliminate "every trace of discrimination because of race, creed, color, or place of national origin."

The Committee's chairman is Vice President Johnson, who still has hopes of winning the White House. He knows all too well that his Achilles heel among Negroes and Northern liberals is his Southern background. Few things would help him more than a top-notch job by the anti-discrimination committee.

The operating head of the Committee is Assistant Secretary of Labor Jerry Holleman. Like Johnson, he's a Texan, but he came to Washington from the presidency of the Texas AFL-CIO. Holleman intends to use the Committee's power to achieve "equality in employment"--but not by cancelling the contracts of employers who don't comply. Instead, he will use the contracts as a lever to obtain compliance. His objective, he says, isn't to punish employers. It's to eliminate job discrimination.

* * *

The great surge of excitement that marked the opening weeks of the Kennedy Administration has subsided. The rapid-fire series of special messages has ended. The innovations are fewer and further between. But a solid record of accomplishment is being built up, quietly and in workmanlike fashion.

Mr. Kennedy has made many compromises, but he is winning approval for an impressive array of economic and social welfare measures--minimum wage, unemployment compensation, aid to depressed areas, housing, and schools, to name some of the most important. The fact of the matter is that the young President is wiping the slate clean of many measures that went up before Congress year after year after year.

He won't get everything he wants but he will get a great deal. He turned the trick by breaking the GOP-Southern Democrat coalition. Many liberal Republicans are voting with the Administration because the President is advocating measures that they believe in. Many Southern Democrats are tagging along because the bills contain valuable economic benefits for the South.

* * *

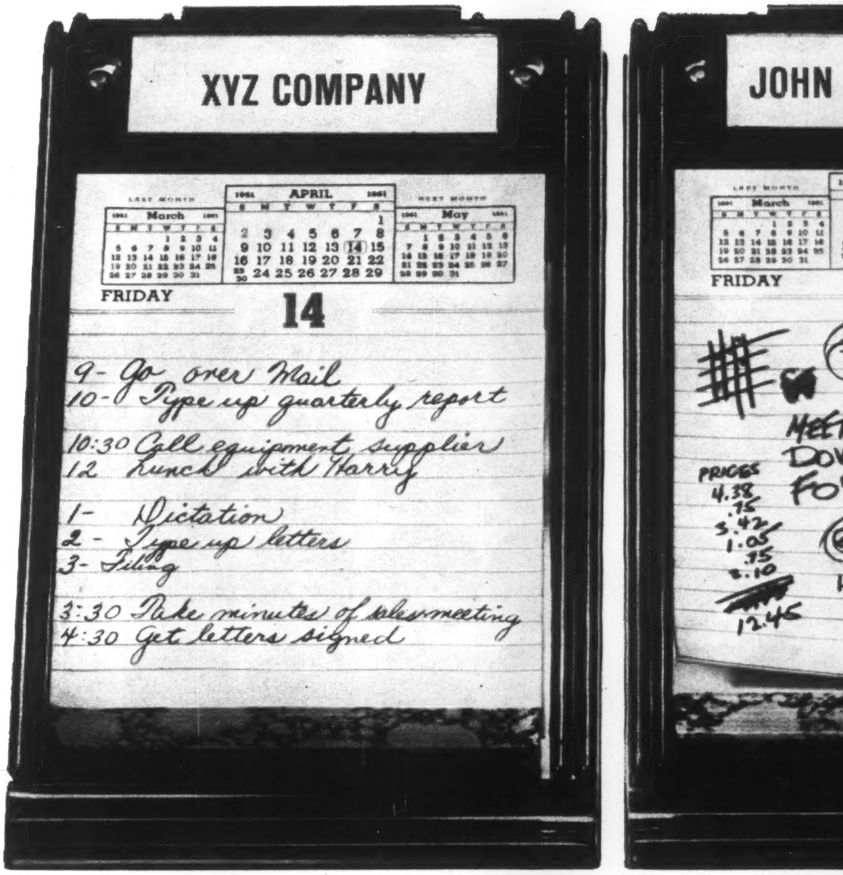
The Administration is putting heavy pressure on Western Europe and Japan to help the less developed countries. It's the "burden-sharing" program that former Treasury Secretary Anderson launched as part of the Eisenhower Administration drive to reduce our balance-of-payments deficit. But President Kennedy's emphasis is different. The chief goal of the new Administration is to obtain more help for the underdeveloped countries from all sources.

Mr. Kennedy and his aides do not think that other developed countries are doing enough to help the weaker nations. In private talks, they are insisting that the other industrialized nations put up larger amounts of money--and supply it on more generous terms. They want Japan and the European countries to make "developmental loans"--very long-term credits at very low rates of interest. And the foot-draggers are getting blunt reminders of the enormous contributions the U. S. made to their own postwar reconstruction programs. Now, they are being told, it's their turn to help.

* * *

The number of Small Business Investment Companies is growing at a phenomenal rate. The government-backed institutions have been making money and the word is spreading. There are more than 250 SBIC's in business now and the number is growing at a 25-a-month clip. A rough check of existing and proposed SBIC's shows that the first 300 will have total resources of almost $250 million. About 15% of this is Federal money--the rest, private capital.

--Joseph R. Slevin


XYZ COMPANY
APRIL
FRIDAY
14
9- Go over Mail
10- Type up quarterly report
10:30 Call equipment supplier
12 Lunch with Harry
1- Dictation
2- Type up letters
3- Filing
3:30 Take minutes of salesmeeting
4:30 Get letters signed
JOHN DOE COMPANY
APRIL
FRIDAY
14
MEET YOU
DOWNSTAIRS
FOR COFFEE - JOAN
PRICES
4.38
.75
3.42
1.05
.75
2.10
12.45
HAIRDRESSER APR. 5:15

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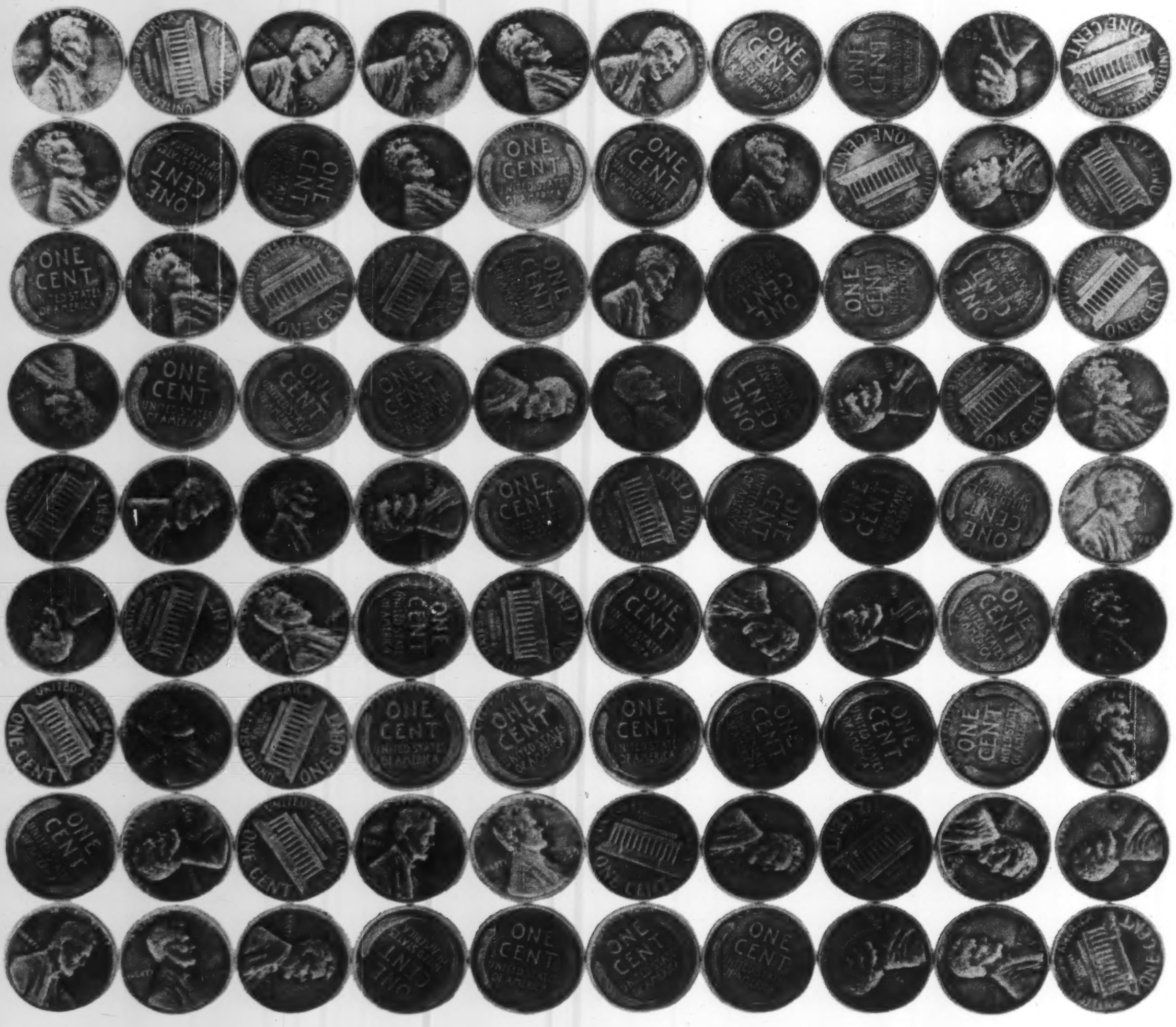
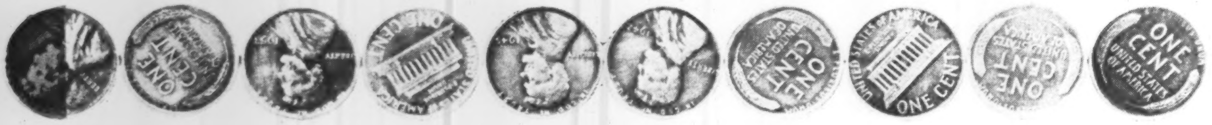


If your product is worth $1.00 per pound...



maybe it can cost 9½¢ a pound less

Today, manufacturers of everything from automobiles to zippers are using air freight as their regular method of distribution or procurement . . . and saving up to 9½ per cent of their product costs.

The savings are due to the fact that these manufacturers have been able to reduce or eliminate branch warehouses and to reduce inventories which are an important part of the cost of physical distribution.

Regular shipment of goods by air can save *you* money and time . . . *if it can reduce your physical distribution costs.*

The question is this: can your plant or branch inventories, with consequent multiple costs, be reduced?

The answer may well be "Yes" . . . since shipments by United Air Lines jet freight can actually provide same-day delivery coast to coast.

To see how you can profit from this new "distribution" concept, call your local United Sales Office or write United Air Lines, Cargo Sales Division, Dept. D-106, 36 S. Wabash Avenue, Chicago 3, Illinois. Ask for United's "Air Freight Profit Analyzer."

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The Trend of BUSINESS

SALES: *Gains at retail likely to widen in coming months.*
INVENTORIES: *End of the cutbacks is in sight before year-end.*
PRODUCTION: *Pre-recession peaks will probably be regained in the fall.*
FAILURES: *April statistics show an end to four-month rise.*

NOW THAT distinct signs of recovery have begun to appear in most lines of business, how fast and how far will the upswing go? So far, nobody seems prepared to bet on a definite answer, though it does appear likely that the pick-up will be gaining momentum in the next few months. To judge by present indications, of course, nothing like a runaway boom is in sight. Before the year is over, however, most of the pre-recession peaks will probably have been passed.

Industrial output will gain momentum in the months ahead and is likely to match the January 1960 record sometime in the fall.

Gains in auto output will account for much of the June and July increase in the Federal Reserve Board's Index of Industrial Production. Detroit will be speeding up its production lines for three main reasons: better dealer sales in the past few months, the need to build up inventories before shutting down for the model changeover period late in the summer, and fear of a possible strike at summer's end or early fall. Unless the carmakers really step on the gas, though, the year's production is likely to be down 10% to 15% from 1960.

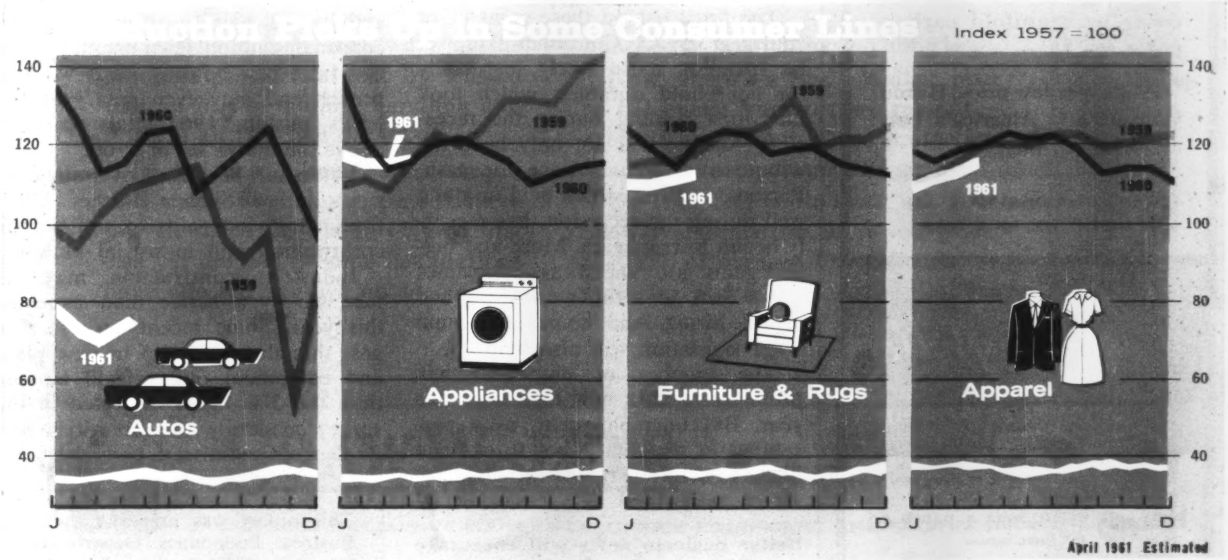
After slackening a bit early this summer, steel output will probably return to current levels in August and move higher during the last quarter.

After an early-summer dip resulting from vacation shutdowns by steelmakers and their customers, steel production will soon regain the higher levels of late spring. Orders will continue to expand, and production should peak in the fourth quarter, bringing output for the year as a whole close to 1960.

This rise in steel production will mean more and bigger increases in coal output. And as business picks up in manufacturing, electric power output will show healthy gains. Both power output and generating capacity are expected to reach new highs this year. Other gains will be posted in truck traffic and rail carloadings as industrial activity picks up.

Inventory decumulation, the cause of last year's recession, will soon come to an end and some accumulation is likely by early fall.

Spurring the rise in industrial production, an end to inventory cutting is in sight. Businessmen will be wary about building up stocks too fast, but as the year draws to its end an increasing number of them will be add-



TO PREPARE for increases in consumer buying, manufacturers in many consumer goods lines have begun to step up output schedules. Further, more substantial gains are likely in the months ahead. Source: Federal Reserve Board.

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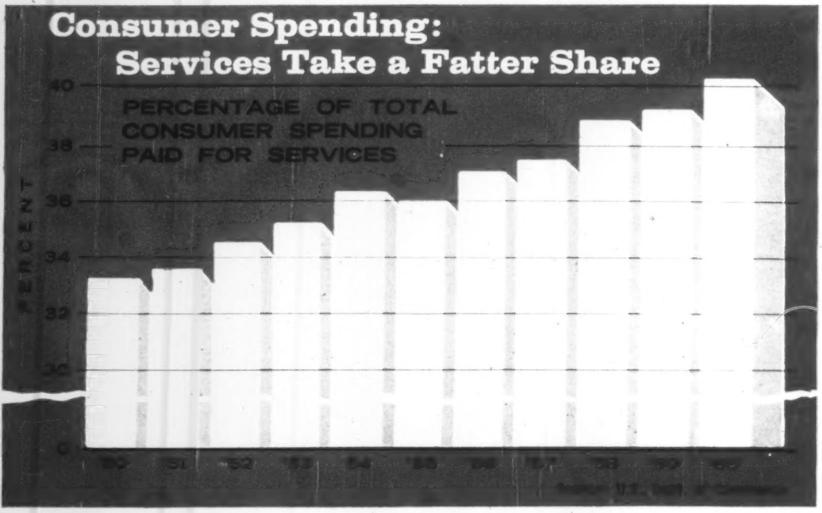


SERVICES HAVE TAKEN an increasing portion of total consumer expenditures during the past ten years, cutting into share of dollars spent on certain goods.

ing instead of cutting back. Especially in hard goods lines, manufacturers' new orders, running well, ahead of sales, will result in higher order backlogs. These will show up first among manufacturers of metals, construction equipment, industrial machinery and farm implements.

Among wholesalers, the upswing in new orders has already started in household durables. Over-all, increases over 1960 levels in wholesale trade will widen as the year goes on.

Consumer purchases of household goods will help boost over-all retail trade over 1960 levels.

The force behind these gains is, of course, John Q. Consumer. He will be spending more freely, especially for household durables, which took the worst beating during the recession. And he will not only have the will to buy, he will have the cash. Personal income, which held up quite well during the recession, has recently begun to rise again. More and bigger gains are ahead as companies move back to a full work-week and resume hiring. And the new minimum wage legislation will also help.

The number of employed will probably reach a new high later this year. But unemployment, as a percentage of the total labor force, isn't likely to drop far below the high levels of early 1961.

Better business news will encourage consumers to do more buying on time.

Having paid off many of their old debts, consumers will be more receptive to the idea of taking on new ones, especially in the light of good general business conditions. Accordingly, consumer instalment credit outstanding will continue to rise in the months head, with a strong push from new-car sales.

Just how vigorous the upswing will be is, however, open to question. Quite possibly it will not match the pickups registered in other postwar recovery periods. In any case, consumer buying will not be slowed by any significant rise in over-all retail price levels.

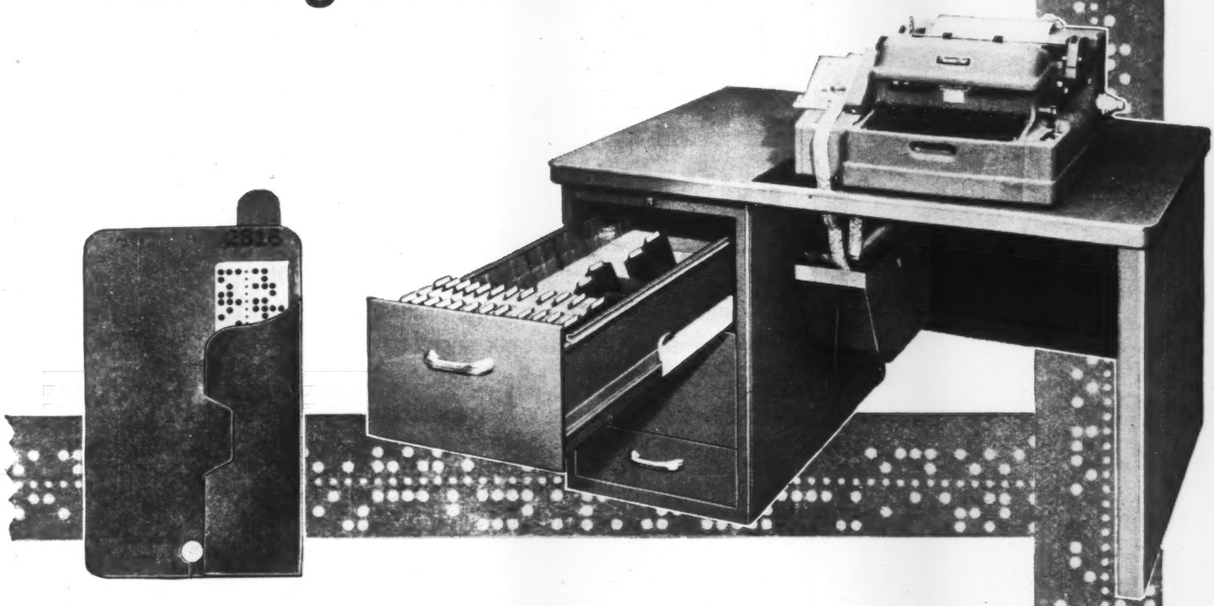
In home building, easier mortgage terms and better over-all business activity will help to offset continuing consumer caution. As a result, private non-farm new housing starts will approach and may even pass year-ago levels, pushing 1961 totals up to or above the marks set in 1960.

Later in the year, over-all construction will get a further boost from continued gains in commercial construction and industrial building.

Industrial construction may, in fact, do even better than expected this year. Some recent surveys suggest that the 1961 dip in new plant and equipment outlays will be less than the 3% figure indicated in the survey made by the Securities and Exchange Commission early this year.

This report was prepared in the Business Economics Department, Dun & Bradstreet, Inc., by John W. Riday.

NEW METHODS FOR FILING PUNCHED PAPER TAPES and Edge-Punched Cards



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Most Executives Foresee A Good Third Quarter

Third-Quarter Outlook

COMPARED WITH YEAR-EARLIER OPINIONS

Per Cent in 1960 Up	Per Cent in 1960 Same	Per Cent in 1960 Down		Per Cent in 1961 Up	Per Cent in 1961 Same	Per Cent in 1961 Down
			ALL CONCERNS			
67	28	5	Sales	67	29	4
53	42	5	Profits	53	42	5
19	79	2	Prices	14	83	3
27	63	10	Inventories	24	66	10
15	82	3	Employment	13	82	5
			MANUFACTURERS			
68	27	5	Sales	68	28	4
56	40	4	Profits	56	39	5
19	79	2	Prices	15	82	3
28	62	10	Inventories	27	65	8
18	78	4	Employment	18	78	4
56	40	4	New Orders	57	40	3
			WHOLESALERS			
64	29	7	Sales	66	30	4
47	45	8	Profits	49	45	6
21	77	2	Prices	15	82	3
25	65	10	Inventories	21	68	11
8	89	3	Employment	9	87	4
			RETAILERS			
67	28	5	Sales	64	32	4
52	43	5	Profits	51	44	5
12	87	1	Prices	11	88	1
25	68	7	Inventories	21	68	11
13	84	3	Employment	5	90	5

HIGHER SALES and healthier profits in this year's third quarter. No inventory buildup. Prices and payrolls steady. That's the comfortable expectation of the typical U.S. businessman, to judge from the results of a recent DUN & BRADSTREET survey.

Late in April, more than 1,500 businessmen in companies of every type and size across the nation were interviewed by DUN & BRADSTREET reporters. The big question: How will business be this summer, compared to last?

Specifically, the businessmen were asked how they expected 1) sales, 2) profits, 3) inventories, 4) prices, and 5) employment for the third quarter of 1961 to shape up against the levels of third-quarter 1960.

Quiet confidence

Their replies, tabulated and analyzed, add up to a picture of quiet confidence. That confidence has undoubtedly been bolstered by the cheerful tone of most business commentators in recent weeks. But its foundations go deeper than that. Late in February, as a previous survey showed (DUN'S REVIEW, March 1961), the nation's businessmen were already feeling the first signs of an upturn. Now that the recovery is well under way, they are clearly looking forward to more of the same.

Their optimism shows up most strongly in the sales area. There, 67% of the executives expect to see an improvement over last year's recession-plagued third quarter. More than half look for bigger profits as well.

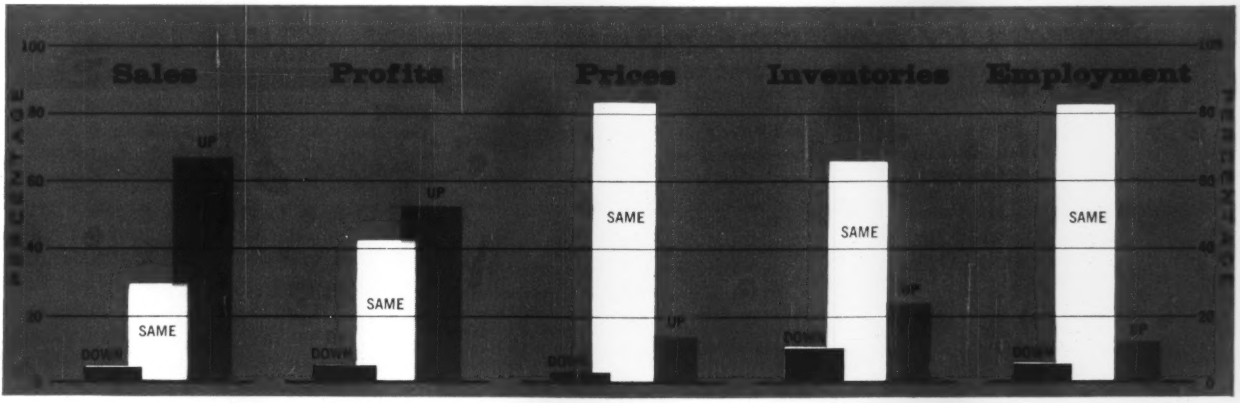
It's worth noting, however, that these businessmen—manufacturers as well as wholesalers and retailers—expect to accomplish that sales increase without any buildup in their inventories. This may reflect a belief that consumer spending will pick up so fast that businesses will have all they can do to keep goods on the shelves. Or, again, it may indicate nothing more than the persistence of a wait-and-see attitude.

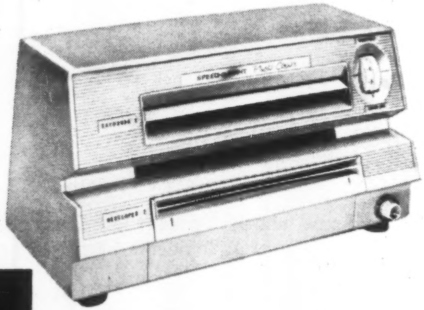
Most of the businessmen questioned expect to post their sales gains next quarter without raising their prices over last year's levels or adding to their payrolls. More than four out of five, in fact, foresee no such increases in either prices or employment.

Significantly, businessmen are more optimistic today than they were at the same stage of the business cycle in 1958, three months after the low point of that recession. So far as sales and profits go, the number of optimists has increased by 15% and 12%, respectively, over 1958's tally.

The fact that businessmen are optimistic about the third quarter doesn't mean, of course, that the third quarter is going to live up to their expectations. But, averaged out, their past "forecasts" have in the main turned out to be reasonably accurate.

—JOHN W. RIDAY
Business Economics Department





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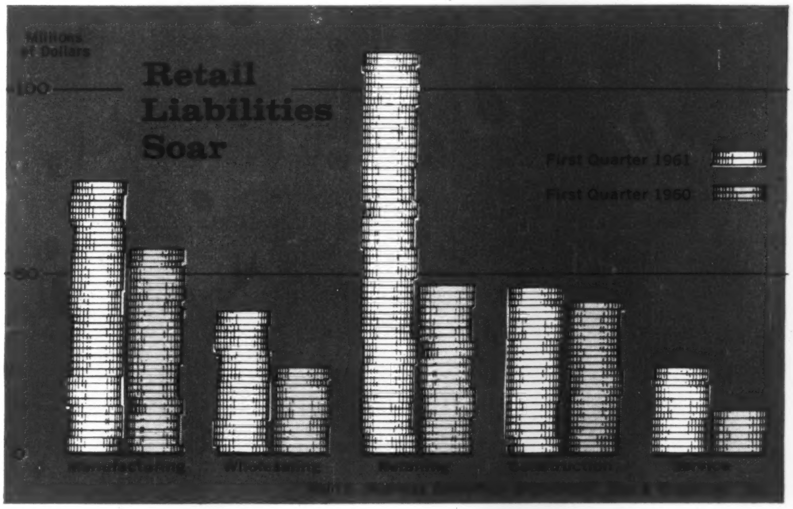
Business Failures

Casualties drop for first time in months.

All types of businesses show fewer tolls.



BUSINESS FAILURES ended a four-month uptrend in April by falling 10% to 1,441. This figure was above the April level of the last two years, but below the 1958 toll of 1,458, the postwar peak for the month.

Concerns were failing at a rate of 61 for every 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*. This seasonally adjusted rate, although the least severe of any month since August 1960, outstripped every other April since 1940, when the toll stood at 67 per 10,000.

Dollar liabilities dropped by almost one-third, to $86.1 million. Casualties in the $100,000-and-over category dropped steeply in all functions except manufacturing. Retail losses in this size group totalled $18 million in April as against $36 million in March.

Tolls dipped below the March levels in all types of operation. Service casualties showed the smallest decrease—3%. Meanwhile, wholesaling fell 19% to the lowest level since last September. Declines of at least 50% occurred in the building materials, apparel, chemical, and automotive trades. In all trades but drugs, fewer retailers failed in April than in March. On the other hand, construction trends were mixed, with a downturn among subcontractors and heavy construction businesses, but a rise among general builders.

Wholesale casualties were less numerous than a year ago, but increases of 4% to 11% prevailed in other lines. Failures in manufacturing ran higher than in April 1960 in printing and publishing and iron and steel. The construction rise centered in general build-

continued on page 16

THE FAILURE RECORD

	Apr. 1961	Mar. 1961	Apr. 1960	% Chg.†
DUN'S FAILURE INDEX*				
Unadjusted	65.1	67.3	58.7	+11
Adjusted, seasonally	60.8	62.9	54.9	+11
NUMBER OF FAILURES	1441	1610	1370	+ 5
NUMBER BY SIZE OF DEBT				
Under $5,000	174	164	156	+12
$5,000—$25,000	595	677	651	− 9
$25,000—$100,000	502	528	428	+17
Over $100,000	170	241	135	+26
NUMBER BY INDUSTRY GROUP				
Manufacturing	238	271	215	+11
Wholesale trade	123	152	140	−12
Retail trade	704	786	674	+ 4
Construction	245	266	220	+11
Commercial service	131	135	121	+ 8
LIABILITIES (*in thousands*)				
CURRENT	$86114	$126622	$69192	+24
TOTAL	87217	130197	70338	+24

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

†Per cent change, April 1961 from April 1960.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies, or the governments; they do not include long-term publicly held obligations.

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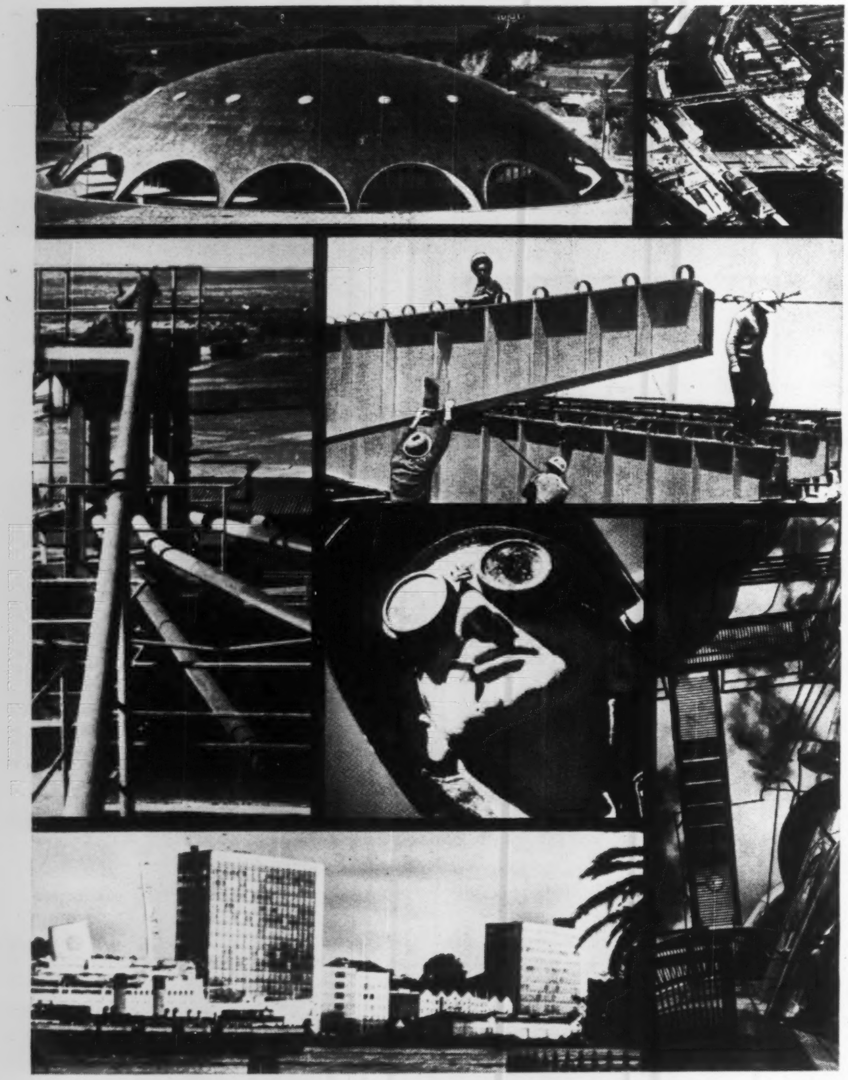

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ing, and the service toll climbed most in personal services. Fewer food stores, restaurants, appliance and building materials dealers failed than a year ago. But these declines were offset by sizable increases in the drug, apparel, furniture, and automotive lines.

In all regions except the West Central and Mountain States, tolls dipped during April. Colorado and Arizona casualties boosted mortality in the Mountain Region to the highest level since April last year, and Louisiana and Texas pushed the West South Central total to a new record. Among the regions where fewer failures occurred were the South Atlantic and East North Central States, which registered their lowest levels so far this year. The most noticeable declines were in Illinois, Virginia, and the Carolinas.

Non-metropolitan districts accounted for most of the month's downturn. Only a few large cities, notably Chicago and San Francisco, reported fewer failures in April.

FAILURES BY DIVISION OF INDUSTRY

	Cumulative total (Four Months)		Liabilities in million $	
	1961	1960	1961	1960
MINING, MANUFACTURING..	966	845	99.1	75.5
Mining—coal, oil, misc..	34	31	4.7	4.8
Food and kindred products	64	53	10.8	4.6
Textile products, apparel.	179	148	16.6	11.0
Lumber, lumber products.	161	166	11.7	10.8
Paper, printing, publishing	88	61	4.7	3.1
Chemicals, allied products	31	22	2.3	1.2
Leather, leather products.	25	27	2.5	3.5
Stone, clay, glass products.	18	16	1.2	1.3
Iron, steel, products.....	65	61	6.2	8.3
Machinery............	91	82	9.6	9.7
Transportation equipment	45	36	11.2	4.8
Miscellaneous..........	165	142	17.6	12.4
WHOLESALE TRADE........	575	492	49.1	36.8
Food and farm products..	111	126	8.8	12.5
Apparel...............	20	12	1.4	.5
Drygoods..............	9	14	.9	.6
Lumber, bldg. mats., hdwre	67	68	7.6	4.1
Chemicals and drugs....	17	14	.5	.3
Motor vehicles, equipment	39	33	1.7	2.1
Miscellaneous..........	312	225	28.2	16.6
RETAIL TRADE............	2868	2477	143.1	65.3
Food and liquor........	378	330	36.3	8.5
General merchandise....	105	87	8.5	4.1
Apparel and accessories..	392	353	21.3	8.0
Furniture, furnishings...	379	354	19.6	11.7
Lumber, bldg. mats., hdwre	176	160	6.4	4.8
Automotive group......	525	398	19.3	9.0
Eating, drinking places...	520	461	17.8	12.0
Drug stores............	67	55	2.3	1.1
Miscellaneous..........	326	279	11.6	6.2
CONSTRUCTION............	992	849	59.6	55.9
General bldg. contractors.	367	317	25.8	28.1
Building subcontractors..	563	476	29.4	23.5
Other contractors.......	62	56	4.3	4.3
COMMERCIAL SERVICE......	503	437	31.5	20.5
TOTAL UNITED STATES.....	5904	5100	382.3	254.0

Liabilities are rounded to the nearest million; they do not necessarily add up to totals.

This report was prepared in the Business Economics Department by Rowena Wyant.

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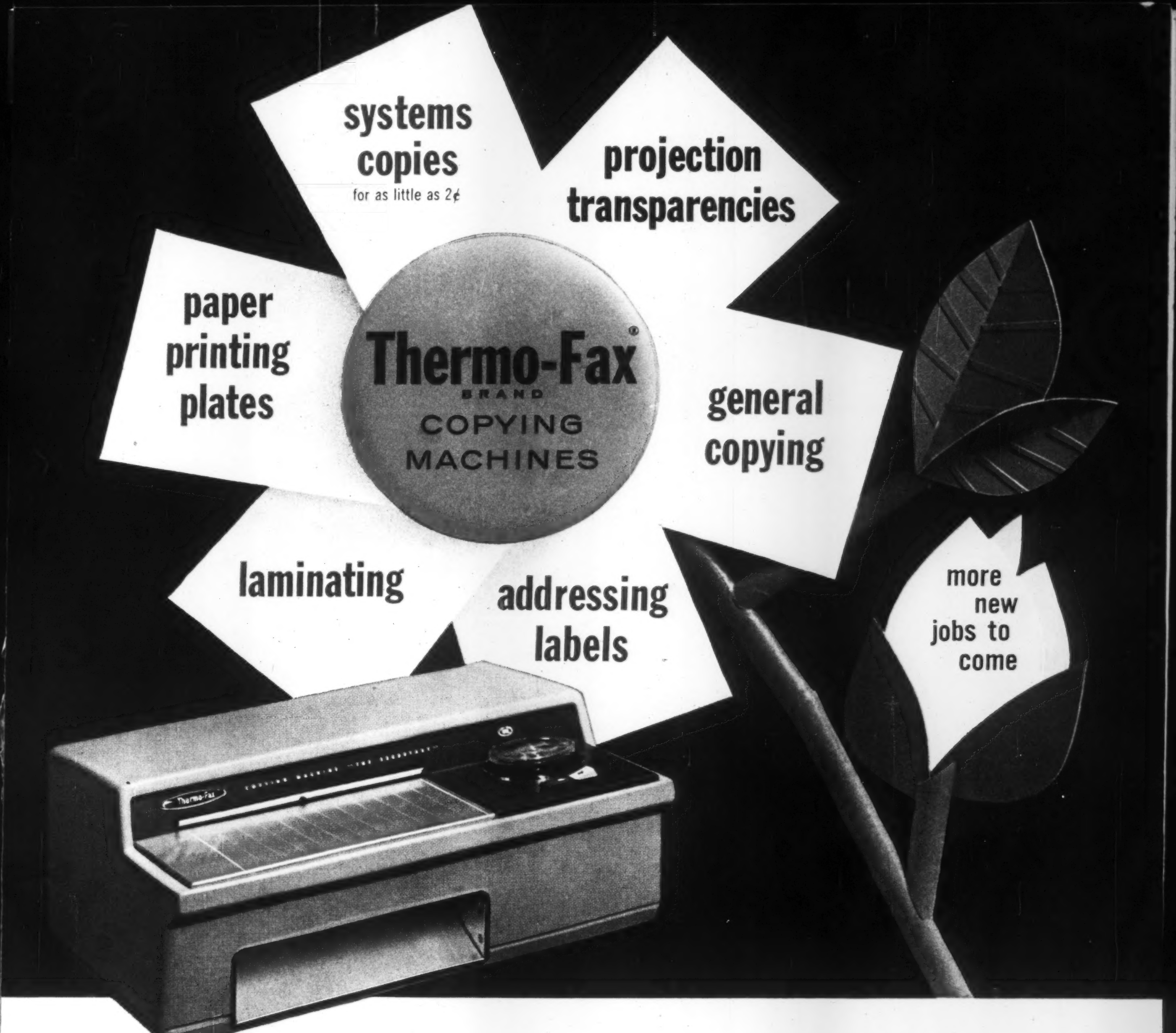
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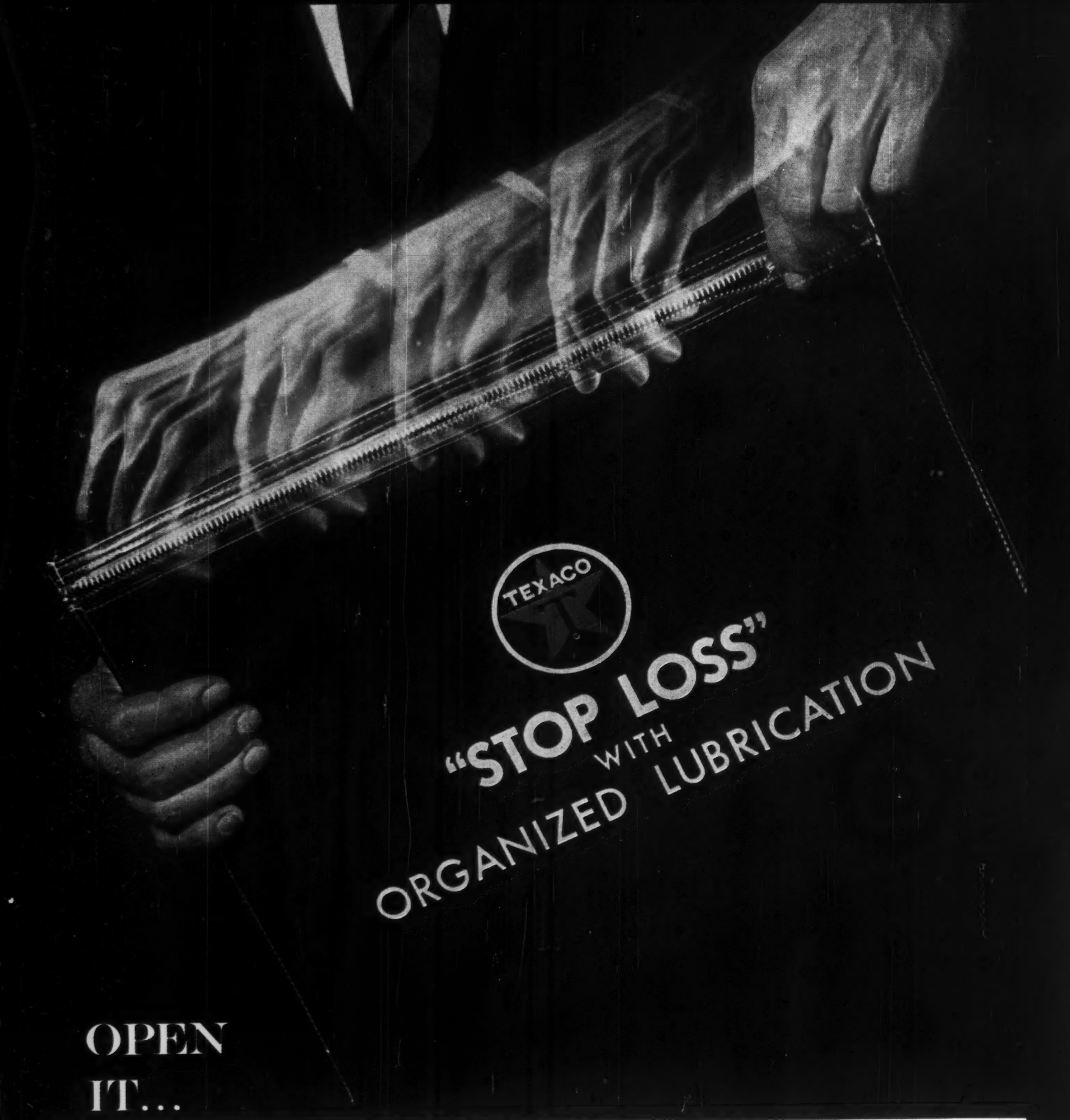

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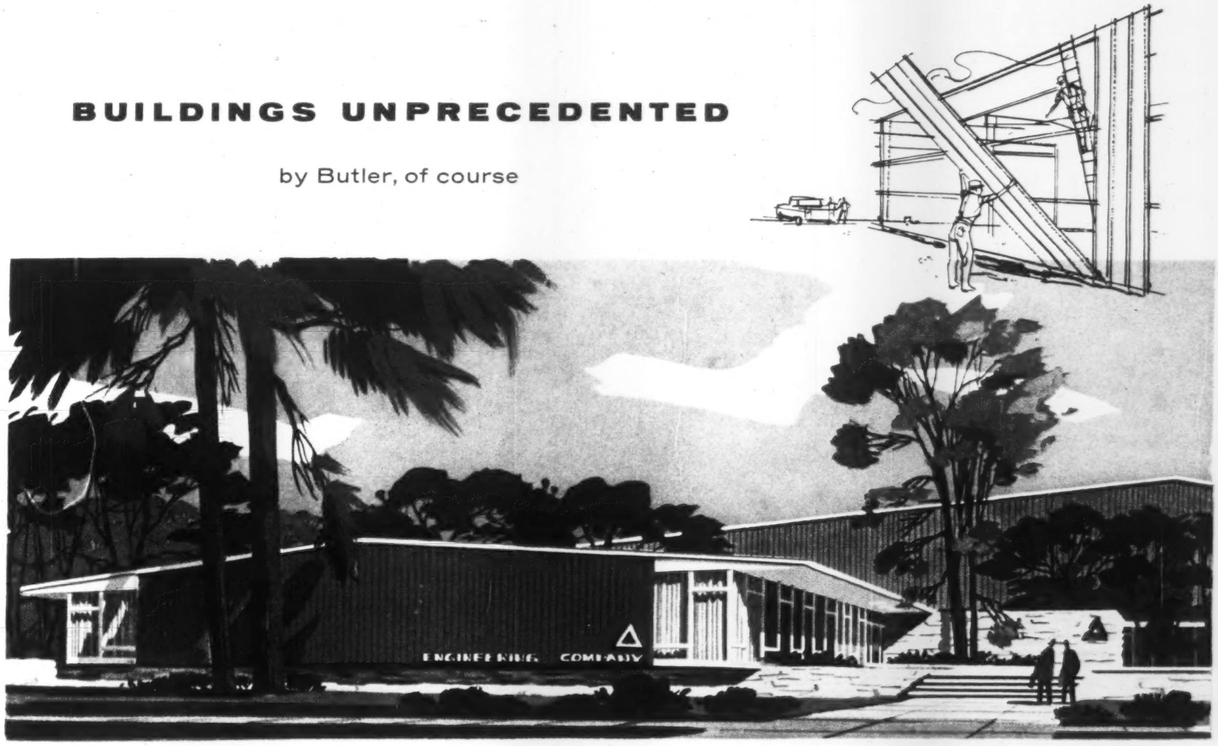

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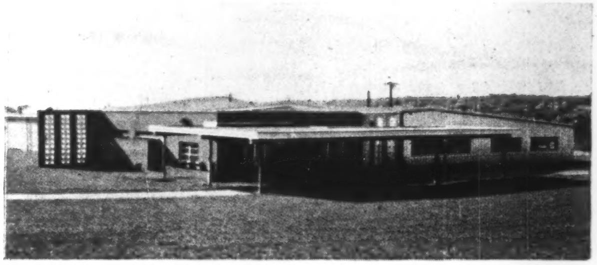

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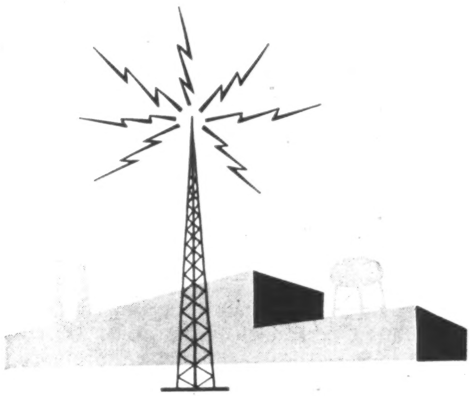

Voice of Industry

"Loopholes" for capital expansion

The management of change

Higher Than Phone Bills

Herbert P. Buetow, President, Minnesota Mining and Manufacturing Co., to the U.S. Chamber of Commerce: Whether we like it or not, some of the legislation the Administration has proposed is going to become part of our cost of doing business. And though it's an old bromide to say "We view with alarm," we should be seriously worried. Our companies go through cost reduction programs where we ask people to turn out lights and cut down on phone calls—but I wonder how many of us give as much time, proportionately, to the cost of government. I get a great pain in the neck, for instance, when I hear about tax "loopholes." Instead of "closing" them, why don't we get serious about "opening" tax incentives? It seems we do everything possible to discourage the investor to take risks for capital expansion—which means that we put roadblocks in the way of creating more jobs. Even politicians should be able to see how the laws stifle capital for small or new enterprises.

Then there is the program to move industry to depressed areas. What will it mean to us if it is passed? Very simply it will 1) subsidize the expansion of one company while doing nothing for its competitor, who'll be paying taxes for the new plants, and 2) penalize the states which are doing an aggressive job of industrial development. It will also mean that plants are moved to uneconomic locations—and no Federal program can provide jobs in any such area indefinitely.

Who is going to speak up for industry if not the businessman? Surely, as presidents and board chairmen, we can occasionally let someone else "tend the store"—and get in there and pitch for what we really believe in. We have let ourselves be labelled as not being in favor of real progress. Now we must convince the public that no real progress can come of giving too much power to any one group—whether it's management, labor, agriculture, or Government.

Fast and Fundamental

John Diebold, President, The Diebold Group, to the European Community Conference: The technological changes we have witnessed since the end of World War II are not a single burst but the beginning of a continuum of fundamental change. While the innovations themselves are of enormous importance, it is the *rate* of change which I believe to be the most significant phenomenon of all. Today, management must recognize its responsibility to plan—with labor—for continuous change. The main burden

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is education and re-education, not only of the labor force, but of management and technical personnel as well. It is a challenge of basic theory as well as of operation. Perhaps our educational system needs a more theoretical orientation.

Already our concepts of labor-management relations (the guarantee of equal treatment and the expectation of average performance) are recognized as archaic in dealing with creative personnel. What must be encouraged is exceptional performance, and what may well be needed is individualized treatment—for fine equipment and plant are but empty trappings if the human quality and proper leadership are not present.

Charging the Battery

Paul Rand Dixon, Chairman, Federal Trade Commission, to the Association of National Advertisers: False advertising swings two clubs—one on consumers and the other on reputable and law-abiding advertisers. The impact on consumers is obvious. They don't get what they pay for. The other club is less obvious but no less serious—a monopolistic weapon as vicious as any other. Scantily dressed in half-truth and shaped to whet the bargain lust of the buyer, spurious advertising can be used as savagely as price discrimination or exclusive dealing.

Therefore, let me say that the Federal Trade Commission is not planning to treat false advertising as a minor evil. History has taught that phony advertising can do its dirty work before it can be stopped. Thus, the Commission is determined to speed our processes. One way will be by a determined effort to compact the schedule of hearings on any case. Although dubious advertising travels at broadcast speed, some of the FTC hearing schedules would make you think that lawyers and witnesses still traveled by horseback and barge.

We're going to move faster now at FTC. We plan to give responsibility to one man for the development, trial, and progress of each case. We're going to serve injured business and consumers with a squad car instead of a hearse. END

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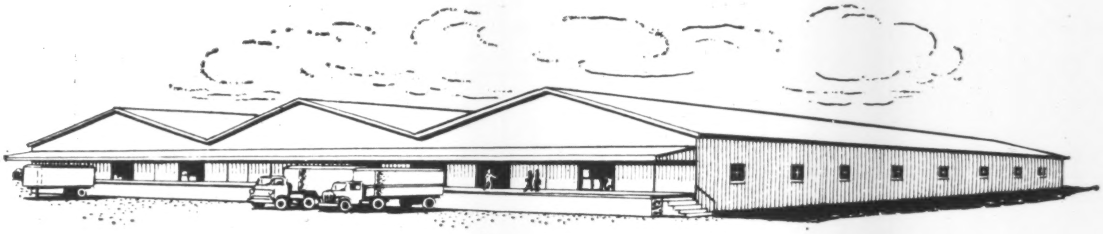

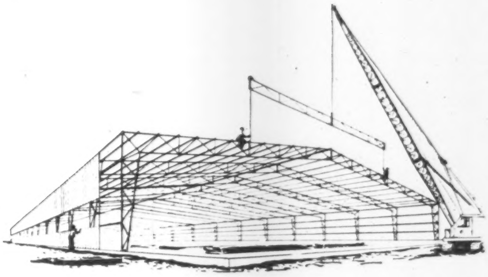

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.. start expanding profits quickly .. at low cost.

You're in for a pleasant surprise when you check the low cost of these clear-span buildings. They COST LESS than the lowest priced conventional building.

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- Select your color . . star blue, jade green, desert brown, coral glow, dawn white . . or any combination.
- Financing plans make your monthly payments quite low.
- Many sizes . . 32′ to 100′ wide . . 12′ to 20′ high . . any length.
- Your Ceco steel building can be treated architecturally with curtainwalls, brick, cement blocks, or glass.

CECO STEEL BUILDINGS
FACTORY PRODUCED FOR EVERY USE

NOTE: Franchises for selling and erecting Ceco steel buildings are still available in some areas. Write for details.

CECO STEEL

THE BEST
COMMUNICATIONS
IN THE WORLD
CAN'T HELP
YOUR BUSINESS
IF YOU
DON'T KNOW
ABOUT THEM

This man can bring you the whole story!

He's one of our Communications Consultants.

He brings "ideas."

He shows businesses, both large and small, how Bell System communications can help them reduce paperwork, save time, cut costs, keep customers happy, boost sales and profits.

He's done it for hundreds of firms—and he can do it for yours.

He's trained to analyze business operations and to find better, more profitable ways to use modern communications.

He's backed by Bell Telephone Laboratories, world renowned for communications research.

He can help your business—and his counsel is yours without cost or obligation. Just call your Bell Telephone Business Office and *ask* for a Communications Consultant.

BELL
TELEPHONE
SYSTEM

The one source for all business communications

This mark tells you a product is made of modern, dependable Steel.

How cold is up? We know that outer space can never be colder than minus 459.72° Fahrenheit—that's absolute zero, the point at which all molecular motion ceases. We don't know what coldness like this will do to materials, but we're finding out. Scientists are using a heat exchanger to produce temperature as low as minus 443° Fahrenheit. They test materials in this extreme cold and see how they perform. Out of such testing have already come special grades of USS steels that retain much of their strength and toughness at −50° or below; steels like USS "T-1" Constructional Alloy Steel, TRI-TEN High Strength Steel, and our new 9% Nickel Steel for Cryogenics applications. And the heat exchanger to produce the −443° Fahrenheit is Stainless Steel! No other material could do the job as well. Look around. You'll see steel in a lot of places — getting ready for the future. USS, "T-1" and TRI-TEN are registered trademarks.

United States Steel

DUN'S
REVIEW
AND MODERN INDUSTRY
June 1961

EDITORIAL

Provocateurs of Progress

EVERY age has a curious breed of heroes and martyrs, few of whom wear medals or halos. Necessity and nature seem to create this special kind of men and women as a defense against mediocrity. Not all of them are wise or even logical in their thinking, but they fight for principles and search out the truth as they understand it. They stick their noses in where they don't belong, and they aren't afraid to stick their necks out in public.

These men seldom make history, but they disturb fixed patterns and stimulate social and economic progress. They are the goads and scolds of humanity when it is tempted by the comforts of decay. There are always one or two of them in trade associations, political clubs and college faculties. They are the gadflies, the foes of the status quo, the minority voice raised against majority convenience.

Not all of them are good neighbors. Some are busybodies who ask embarrassing questions. They are called trouble makers, and with good reason: They stir up trouble for the common good, and especially in periods of community neglect. Seen from our own perspectives, they are radical or reactionary, but they are never anchored at dead center. Not all of them survive success. Some lose their social sting as society accepts their ideas; others may abandon the fight under the pressures of public office, or out of pure pragmatism in a period of changing values which thrusts leadership upon them.

One thing, in any case, is certain: No significant improvement has ever been made in the affairs of mankind without the minority voice of the individual speaking out against group silence or indifference.

Respect for authority is necessary for the proper management of human affairs. But blind conformity to organizational routines, whether in an army or a business, is a dangerous form of loyalty. Man's progress as a gregarious animal owes much of its impetus to the perpetual conflict between the desire for security and the drive for liberty. It is the role of the maverick in society—which includes politics and business—to keep these forces vigorously alive and their conflict forever in ferment.

The heroes and martyrs of this atomic epoch are the men who, refusing to be numbered and bulked, demand to be named for their ideas, opinions and principles. Some of them are in the ranks of labor. These men risk their necks when they insist on increased productivity for increased wages and fringes, and when they speak out against bad bargaining or jurisdictional strikes. Others are in top management; when they talk free enterprise they practice what they preach. Still others are in government, serving with the sense of dedication that belongs to public service without public applause.

No age is without these needlers of the crusty conscience. They serve as irritants of the lazy mind and burrs in the hair of the appeasers, the conformists, and the neutralizers. Around them nothing is normal, routine, or humdrum, and the world is better off for their presence—that is, as long as they stay in the minority.

AT&T Goes into Business

The sky's the limit today in AT&T's plans for future services. Undeterred by its challengers, it's going to put satellites going up in the air and cables down beneath the sea—and keep on wooing businessmen as never before.

THE BUSTLING WATERFRONT of Hamburg, West Germany's biggest port, is resounding these days with the clangor of steel fabricating shops hard at work. Inside them, brawny machinists are stamping out steel plates for a $6 million ship which will be the largest vessel ever built to lay transoceanic telephone cable. The striking thing about the ship, however, is not its size or its highly specialized function. It is the identity of the ship's owner, which is none other than the American Telephone & Telegraph Co., the $22.5 billion (total assets) operator of 61.2 million telephones in the U.S. and Canada.

These days, the big utility has ample reason to build its own ocean-going ship. With a growing number of U.S. companies expanding abroad, AT&T is simply putting more emphasis on following its businessmen-customers overseas. Even as the nation's newspapers and business publications have been focussing on satellites and the like, AT&T quietly has been preparing for the inevitable transition era.

As a result, its planned cables will span the world. The company, for example, is getting set to lay cables from Puerto Rico to Antigua, and from Florida to Jamaica, eventually following up with another cable from Jamaica to South America. And by 1963, that giant cable-layer will be out in the Pacific, spinning its telephone web from California to Hawaii and then to Japan. AT&T, in short, is going global.

But it is doing that with the accent on business, an accent which can make the homely old telephone do more things than ever for the executive. "As we see it," says President Frederic Kappel, "the company's biggest opportunity is in serving business. In the years ahead, we are going to give the businessman new communication tools. We are going to make it possible for him to send information across any distance and in many forms. And we are going to do it with equipment and service that will increase his own business while cutting his costs."

The reason for that determined

courtship is not hard to find. Simply put, business itself is good business for AT&T. Even though residential phones account for nearly two-thirds of all Bell Telephone Company listings, a solid $4.1 billion chunk of last year's $7.9 billion gross operating revenues came from businessmen.

Big business

Kappel, not surprisingly, wants still more. As a market, business communications is today vast, sprawling, and complex. But it is a market whose rate of growth is matched only by the fierceness of the competition and the pace of its technological development.

None of this deters AT&T, though Kappel phrases his optimism with characteristic caution. "We expect," he says, "to maintain earnings levels that will appropriately support our financing."

To the Wall Street brokerage house of David J. Greene & Co., Kappel's confidence seems more than justified. Analyzing AT&T's growth prospects, Greene recently estimated that the utility's 1965 net earnings could go as high as $1.74 million, up 37% from 1961's expected profits of $1.27 million.

A good share of those profits—both present and future—will come from new products for business.

Take Data-Phone, for instance, a recently introduced system that permits computers and other business machines to "converse" over regular telephone lines. Only ten years ago, the idea of business machines communicating huge quantities of data, over long distances, at speeds no human beings can match, was in the realm of science fiction. Today it is a reality.

The future? "Within 15 years or so," predicts Kappel, "the volume of information communicated between machines may be even greater than that communicated between people."

With that projection in mind, the men who run AT&T are working overtime to speed the day when those millions of machines will be chattering over phone lines. Already 1,200 specially trained salesmen are out to sell Data-Phone. And though the service has only about 1,100 users at present, AT&T is confidently betting on 10,000 installations by the end of the year, and 200,000 by 1965.

What makes AT&T so certain of Data-Phone's success? One factor: its simplicity. With the Bell electronic device linking a phone to any uncomplicated data processing machine, a clerk on the East Coast can send a complicated order to a central warehouse across the country just by flipping a switch and dialing a phone number. At the warehouse, the receiver is lifted and a computer's Data-Phone link is switched on. Then, at speeds of up to 1,600 words a minute, the giant brain immediately starts translating the "tones."

The Hardware-Mutuals-Sentry Life Insurance group has 36 Data-Phone sets at work transmitting data from its branch offices to a new data-processing center in Wisconsin. And efficiency, it reports, is not the only dividend: Hardware Mutuals estimates that it is saving $1 million in operating costs.

Cash savings is not AT&T's only sales pitch. Any of the four Data-Phone sets can today be installed throughout the U.S. and Canada, wherever the phone lines run. As Kappel points out, it would take 20 years to build an alternative data-transmitting network—and the cost would top $1 billion.

AT&T is using the same principle for teletypewriter tape transmission. Messages rattle off at more than 1,000 words a minute, ten times as fast as the fastest conventional teletypewriter. Even handwriting and diagrams, translated into electrical pulses by special devices, go over the wires with Data-Phone.

There's no mechanical reason, either, why the same systems can't be extended to overseas offices as well, though Kappel won't say how soon that day will come. He does predict, however, that machines all over the country will someday be rousing themselves automatically in the dead of night, "dialing" other machines, and communicating vital business data at an hour when talkative executives are still asleep. Where the profits come for AT&T: full use of the near-$19 billion worth of telephone equipment in the U.S. which now operates at capacity only about eighteen hours a day.

AT&T's GROWTH, says Kappel, will come from its business customers.

Another move in the same direction—selling more service by increasing convenience—is Bell's new electronic switching system, now on trial run in Illinois. Packed with thousands of transistors, this system can "reason" and "remember." So, it can connect the executive with his branch office or best customer across the continent when he presses a button on his desk phone. What's more, upon dialed instructions, it switches incoming calls to home or club when he leaves for the day.

Those ticklish tolls

Consider, too, long-distance calls which are a way of life for thousands of corporations today. For many of them, they are, equally, a problem in cost control, and how to stabilize businessmen's costs without hurting Bell's Long-Lines Department was a riddle AT&T pondered for many years.

Just last January, the company started marketing a new contract billing system called WATS (for Wide Area Telephone Service). A WATS customer draws the boundaries of his own "wide area" and it can encompass anywhere from the entire continental U.S. down to the nearest county. Then, for a fixed charge each month, he can make as many calls as he likes within the territory or, at a lower rate, use just fifteen hours of conversation.

Not that the wide open field of business communications has been left entirely to AT&T. Western Union, with its telegraph and teletypewriter systems (both now operating almost entirely on leased Bell System lines) is hard at work expanding its own services. So is RCA Communications, Inc., with its vast cable and wireless network.

Still, it wasn't until the rise of microwave communications, and Federal Communications Commission approval of private systems, that Sperry Rand, Philco, RCA, Motorola, Raytheon, General Electric and a half dozen other companies started elbowing into the field. Offering equipment to interested businessmen, they point out the technical virtues of microwave. And they stress the advantages of having a communication system that's all your own.

Quick to sense both the threat to its markets and the most effective way to counter it, AT&T last February got FCC approval to strike back. Its weapon: a new service called Telpak.

Setback for Telpak

But it's a weapon that AT&T has put on the shelf for a while, for the Justice Department's Antitrust Division is making a routine check on Telpak—at the instigation of Western Union, one of AT&T's biggest rivals (and best customers). Three out of every four private wire systems that WU builds are for business data transmission, and the telegraph company is going to fight Telpak by every means it can. "After all," says a WU spokesman, "business is *our* bread and butter, too."

Essentially a complete package of microwave communications services for big leased-line customers, Telpak has cut much of the ground out from under private microwave by the simplest of means: a sharply lower pricetag. And its appeal is greatest to precisely those customers who have been most susceptible to the lure of microwave. These are the big companies that have a continuing need for heavy point-to-point communications, whether telephone, telephotography, teletypewriter, control, signaling, facsimile, or data transmission. For a basic fee ranging from $15 to $45 a month per airplane mile, Telpak subscribers can rent as many channels as they need.

It's the price that has Western Union smarting. "We aren't allowed to compete in voice," a telegraph executive complains. "Yet here is AT&T, getting into written records, which is our specialty. And they couldn't do it without that 10% profit rate on their telephone business. The 1.5% profit from microwave would be too small."

Yet for all its adroitness and its new aggressiveness in striking out for customers, it is AT&T's never-ending stream of new products that is the real envy of other manufacturers. Few of them can draw upon resources like those of American Tel & Tel. For, as they know, an integral part of AT&T's success lies in its subsidiaries—its 99.82%-owned manufacturing company, Western Electric, and especially its Bell Telephone Laboratories.

Kappel, in a moment of unaccustomed complacency, describes Bell Lab as "the greatest industrial research and development organization in the world, bar none." There are few who dispute his claim. Time and again, Bell Lab scientists, working on pure basic research problems, have come up with practical—and profitable—innovations.

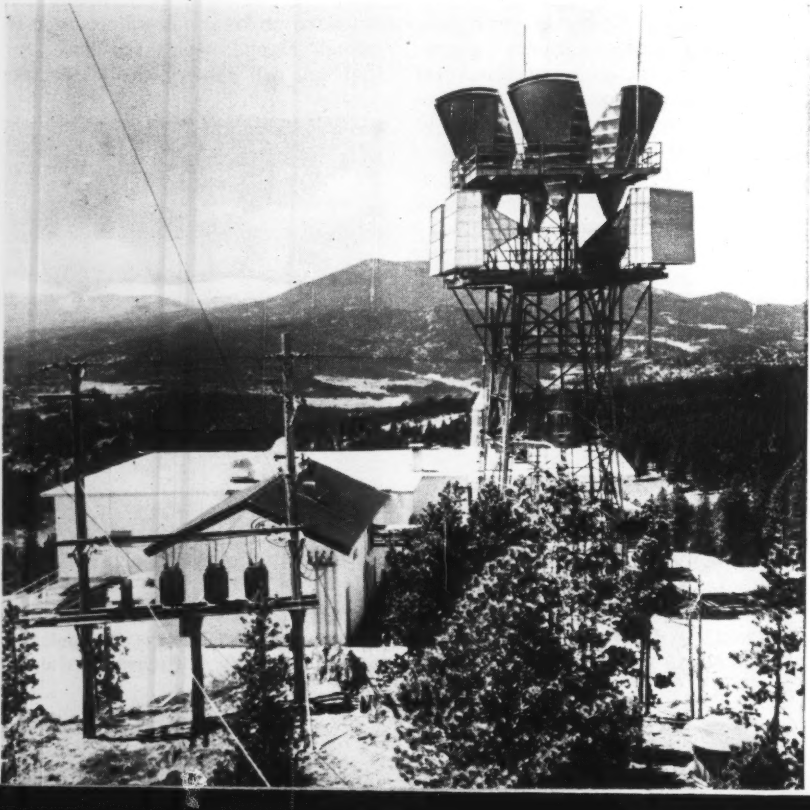
The latest of these—brainchild of Bell Lab's Dr. John Pierce—is that "talking" space satellite, which can relay radio and TV signals from an orbiting ball to anywhere on earth in a few seconds. Rival RCA scored a coup last month when it got a National Aeronautics and Space Administration contract to build the Government's own communications satellite. But AT&T is doggedly going on with plans to launch its experimental "bird" first.

The big utility won't be the only private corporation in space for long. Wary of complaints about "monopoly," AT&T itself won FCC approval last month for a combine—made up of all U.S. international communications carriers—to develop a satellite system. RCA, International Telephone & Telegraph Co., and four smaller firms will join AT&T in sending aloft the 25 "moons" that will link the U.S. and Europe, plus the 50 that will eventually send messages and TV programs around the world. Left on the ground: GE, Lockheed Aircraft Corp., and the other equipment makers who had sought approval from the FCC for their own joint plan.

Neither the equipment makers, eyeing those satellites, nor Western Union, chafing about Telpak, will hesitate to give battle. But AT&T is just as determined to find out what its businessmen-customers want — and give it to them. For, as one top AT&T marketing man puts it, "It's business that brings in the earnings, it's business that pays those dividends, it's business we live on."

AT&T chief Kappel is already promising his best customers services that will make even today's mighty achievements seem puny in comparison. "Progress here," he says, "is just as important as progress in manufacturing methods. The day is coming when the businessman will get the maximum range of choice in the field of communications. We at AT&T," Kappel goes on, "will see that when he comes to us for service, he'll be free to pick and choose—just as now, if he goes into a shopping center, he can buy a chair or a necktie or a loaf of bread." —Patricia H. Durston

HIGH ON THE MOUNTAIN, **Western Electric-made equipment speeds data across Colorado via microwave for customers who use AT&T's new Telpak service.**



Only by giving an executive a "bank account of confidence" can business obtain the creativity it needs to prosper and progress, warns this distinguished businessman. When management imposes heavy penalties for error, it's the company that really pays the price.

FREEDOM TO MAKE MISTAKES

WILLIAM T. BRADY

FREEDOM is a much talked about word. Existing at the core of our free enterprise philosophy, it is an ideal we all work toward. And we all preach its application.

Yet it is difficult to give to others. It is difficult to administer in our large business organizations. It is difficult to accept.

For we also have to attain order. We have to maintain efficiency. We have to get things done. It is precisely here that the problem of freedom appears in sharpest focus. Surrounded typically by crisis situations, the busy executive either handles situations himself or follows each closely, granting only a minimum atmosphere of freedom to his subordinates.

Is this the optimum way for us to operate, or is it that we've allowed ourselves too often to become the slaves of "expedience" and "experience"?

Let's examine this concept of "freedom" for a moment. The word itself needs defining in a business context. It is too superficial, and quite misleading, to equate political freedom within a democracy with freedom within the corporate structure. The philosophy of political democracy rests on precepts which simply don't apply in the business world. In the very act of joining an organization, one voluntarily surrenders a piece of his individual liberty. Political democracy rests on the rule of the majority. It supposes—and usually rightly—that the many varied purposes to the lives of its individual citizens will somehow be reconciled in the long run. The government exerts, as much as possible, a passive force on the lives of its citizens, leaving them as free as possible of group demands. Most, though not all, of these demands are negative: "Thou shalt not . . ."

Changeable purposes

The corporation, on the other hand, is not ruled by the majority, nor a minority, or even by people, as such. It is ruled by the purposes for which it is currently held together. Not being principles, they are changeable, and may indeed be changed many times. But each of the members of a corporation, having freely enlisted his services, and free to terminate them at any time, has pledged himself to them. The demands on the individual, then, are quite specific, positive, and group-oriented.

Freedom within a corporation is no less real in that it goes hand-in-hand with responsibility to established objectives, and through these, to the systems and orders by which they are achieved. But no corporation can suppose that the purposes of its people will *somehow* be reconciled in the long run. It must structure and channel these purposes because it is, by nature, an active, an action-taking organization.

Therefore, the one important limitation on freedom within a corporation, then, is that there must be no freedom to mistake or confuse, either deliberately or unknowingly, the stated objectives and systems under which the company operates. The corporate executive must know and observe this discipline.

Within this framework, however, there is the opportunity to encourage considerable freedom of action. If, as has been said, the American corporation is our main hope in the great duel down the stretch with the Communist system, we must find ways for breaking into new economic and scientific ground. Our old "successful" ways must be measured in a vastly changed world. Only by getting the maximum creative effort from our best people will we be able to compete and win against a shrewdly-run totalitarian system.

Our responsibility, then, as top management, is to create the proper environment, the climate, the atmosphere in which the growth potential of our people will progressively develop at the maximum rate, and with maximum results. And it is my contention that by allowing greater *freedom to make mistakes* we will give ourselves the greatest opportunity to score the rare breakthroughs that will permit us to compete effectively with Communist successes.

In proposing an environment which accepts the freedom to make mistakes, I do not for one moment imply that we should advocate, or even tolerate, any sort of comedy of errors. We well know that some mistakes can prove mighty expensive, that all are wasteful. We have not found a way yet to set up our budgets to accommodate them.

But we do want creative people. We are trying to convince our people that they must come up with new ideas, experimentation, different approaches, unconventional solutions to conventional problems.

Now the man who attempts the new, the different, the man who seeks *innovation,* is likely to make some mistakes. But isn't it infinitely more desirable to assure a man some reasonable measure of freedom to perhaps spark some fresh, imaginative thinking, than to slap him down when he commits his first error—and perhaps discourage him from trying again?

The bank account

Let's be practical about it. We have no choice but to pin our faith on people. No matter how brilliant, how energetic we imagine ourselves to be, we cannot do it all. How much better it is, then, to let our key people know that, having made the team, they have been given a bank account of confidence against which they can draw without our countersignature. Should this appear to be a rather lax way to run a business, let me point out that in return for this deposit of confidence there has to be a requirement on our part for strict accountability. There is a point somewhere along the line at which a man can overdraw his account if his errors in judgment prove him unworthy of this trust.

It seems to me, however, that too many of our companies today overpenalize the mistake and undercredit the fresh and new. I can't think of anything which annoys me more than the man who says: here's the way we handled it last year—and the year before—and we'd better handle it the same way this year. What he's actually saying is: it's the old safe way and therefore it's the only right way.

There is one thing he's got to learn—and if he doesn't, we've got to show him. Things are changing every day—and they'll continue to change, so we must change with them. If we continue to apply yesterday's solutions to tomorrow's problems, we're going to find out pretty soon they just aren't getting solved.

And management today is faced with plenty of the old problems, the old frustrations, the old fork-in-the-road decisions. Doubtless most of them are being disposed of in some fashion or other. But in addition there are the new problems that lie ahead: problems management has never faced before—questions that aren't even in the textbooks yet, much less the answers. If you have relegated each member of your management team to his own little four-sided box of conformity—and forbade him because of fear of an error to move outside that box—there is very little chance that he will bring anything new to bear on any of your problems, old or new.

Sometimes I think we forget how eager *we* were to try out our new ideas. All of our people, I'm sure, have new ideas. Maybe they're itching to take a crack at putting them into practice, to swim in a little deeper water and justify their membership on the team. Good. Give them the chance.

But what if the idea doesn't work out so well? If there's a reprimand, what happens? Every time that enterprising spirit is broken down even a little, every time that little spark of originality is snuffed out, we are choking off the very taproots of our organization's precious fund of creativity.

One of my neighbors is the head of a thriving electronics firm. When I asked him the other day whether or not he permitted the freedom to make mistakes in his organization, he replied with a perfectly straight face: "My people don't make mistakes." I asked for more on this bit of dogma. "No, my people don't make mistakes," he repeated. "They may come up with some pretty hare-brained ideas—some of them simply not workable. But when they do, we most certainly do not dampen their creative ardor by telling them that they have made a mistake. Rather, they are advised most tactfully to try again and use a little different approach. No, my people don't make mistakes.

"And it's a funny thing," he added in afterthought. "Some of those ideas which we thought at one time were a little far out in left field, have now become a part of our standard operating procedure. Certainly our people have the freedom to make mistakes—how else would we progress?"

I do not believe for a moment that this man underemphasizes the value of discipline in his training and supervision, that he condones or encourages haphazard disregard for corporate law and order. That would invite disaster. People are expected to do their jobs within the framework of their jobs' requirements and demands, never overlooking the necessary ultimate goals and obligations.

The great paradox

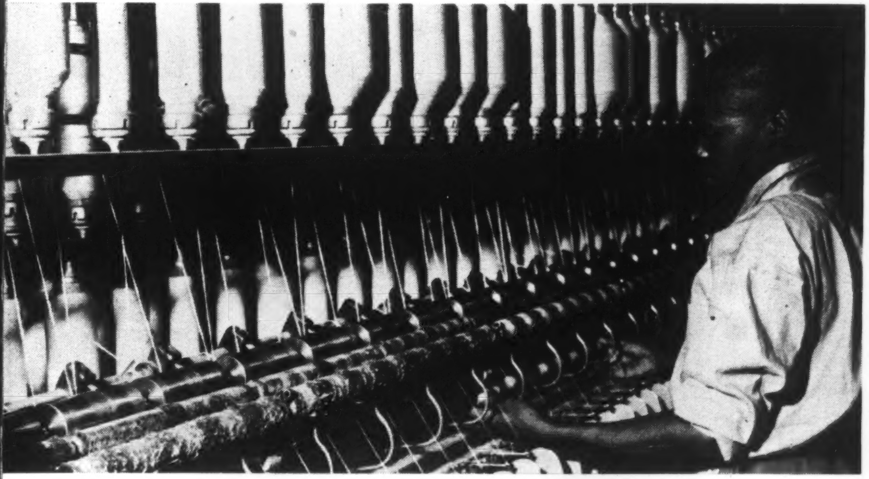
I have an idea that the people who are associated with my friend at the electronics company are very much aware of these disciplines. Bear in mind what I pointed out earlier and which will bear repeating and reflection: The one important limitation on freedom within a corporation is that there must be no freedom to mistake or confuse, either deliberately or unknowingly, the stated objectives and systems under which the company operates.

But, in some way, we must also put the point across that the greatest milestones in our nation's industrial and scientific history were won by men who did not shy away timidly from the unconventional, who were not intimidated by fear, whose pride did not rule out the trial-and-error method. I shudder to think of our status among nations today if this had not been the case. It is the great paradox of our time that the fruit of their efforts may well be an over-prosperous, over-indulged economy, placid and unconcerned in a changing world.

But if our innate pioneering spirit, our national creativity, is encouraged to grow and flourish, there is no limit to the goals which we can achieve.

END

Born and raised in Illinois, **William T. Brady** has been with Corn Products Company since his business career began, shortly after World War I. He became Corn Products' president in 1956, and last year was elected chairman of the board, continuing as chief executive officer. Besides serving as a director of several companies, Brady is a vice president of the Grocery Manufacturers of America.



With more than half of the Dark Continent's invested American capital, South Africa is holding out some inviting lures to overseas-minded U.S. companies.

"Special Situation" in SOUTH AFRICA

FOR ALL the scare headlines of the newspapers, more and more American businessmen are finding that there is a place in promising, perilous Africa where they can do business with safety. Located right on the southern tip of the continent, easily reached from the U.S. and midway to the Middle and Far East, the Union of South Africa already has attracted no less than 60% of the total $1 billion which American industry has invested in all of Africa.

To an uninformed businessman, that figure is startling indeed. Just a year ago, South Africa's Premier Hendrik French Verwoerd was almost killed by a crazed settler. Riots sporadically break the quiet of Johannesburg. The Union has withdrawn from the British Commonwealth. And just recently, the Government had to raise the bank rate to stop the flight of capital from the country—a flight which already has lowered the nation's foreign exchange reserves to their lowest point in three years.

Why, then, are American businessmen continuing to invest in the country? One answer comes from a top Wall Street investment banker. "South Africa," he points out, "is like a 'special situation' in the stock market. On the surface, it doesn't seem a particularly promising place to put your money. But, underneath are values which make it an extremely attractive investment opportunity."

SOUTH AFRICA is not a cheap labor area, cautions Dr. Hendrik van Eck.

One man who knows all those values is tall, forceful Dr. Hendrik J. van Eck, chairman of South Africa's Industrial Development Corp. Chartered by the Union in 1940 to develop new and existing industries, the corporation today has $182 million invested in such industries as textiles, phosphates, wool, gas and oil, and synthetic rubber.

"The nation now is at the late 'take-off period' in its development," notes van Eck, "and it has to get large quantities of capital from abroad."

To get that capital, the Union can point to any number of factors which make it very much a special situation among the troubled nations of Africa. Among them:

- A stable government, established on the British model. Though it became a republic last month, South Africa will retain both the parliamentary system it inherited from the British and a judiciary which has become one of the most respected in the world.
- Twice the power, largely in coal,

of all the rest of Africa. With that fuel reserve, South Africa not surprisingly ranks eleventh in the world in installed power capacity, and its 1,500 per kwh per person per year is roughly equal to that of highly industrialized Europe.

- Freight transport facilities equal to those of all the rest of Africa combined. Part of this network includes an extensive railroad system of 14,000 miles, and the third largest electrified system in the world. To these the nation has added first-class highways, ports and airfields.

As the South Africans see it, the character of their nation is an equally prime inducement for American businessmen. "Our people," smiles Dr. van Eck, "have a strong feeling for the pragmatic, which should make Americans feel at home."

If anything, the South African's pragmatism extends beyond that of the American. The sturdy, self-reliant people of the Union long have been known for their respect for individual initiative and industry. Their labor force is a remarkably steady one, the last trade union strike dating back to 1922. And they feel so strongly about both business and government running in the black that the Parliament consistently legislates a budget surplus to help retire the public debt, last year cut it by $50 million.

Equally important, the South African takes the same approach to taxes and dividends. True, the corporate tax rate runs to 30% in South Africa, far below the American 52%, but above that of many other nations. The Union has cut that burden, however, through unusually liberal depreciation allowances, and businessmen have the security of knowing that they can take their investment (or the earnings from it) out of the country at any time.

But for all the South African's cautious, conservative approach to business, his population is running as wildly upward as any country in the world. Over the past 10 years, in fact, the population of the country has increased by a high-powered 27%. "With that growth," notes Dr. van Eck, "we are determined to create a broad consumer population."

Can it? The Union's population runs the gamut from highly educated Dutchmen to illiterate Bantu tribesmen who make up 63% of the population. The South Africans, very much aware of this, argue that South Africa is a prime consuming nation, even with its millions of Bantus and other tribesmen. Consumption has increased by 3.5% a year, they point out, and the union's 16 million people earn a third of all the income on the Dark Continent. Too, the income rate has been growing by 4.5% a year, a faster growth than that of Western Europe during the industrial revolution.

MODERN APARTMENT houses in Johannesburg reflect the sophisticated South Africa of today. The city lies in the heart of a rich gold mining area.

Jump into automation

With that income and population growth, the South Africans now are trying to jump past the craftsman level and right into automation. Already, it must be admitted, they have scored some impressive victories. For they have built enough industry to enable the nation's income to soar progressively higher. The nation's textile mills, for example, reputedly are the most modern in the world.

In addition, the Union boasts of steel mills which literally can compete against those of Pittsburgh itself. South African steel ranks as the lowest-priced steel in the world, below even that of Australia. Modern foundries take that steel and turn out high-quality iron and steel castings at the lowest price in the world. During the long American steel strike, in fact, many American firms simply imported their needs from the Union.

Now, the nation is getting ready to increase its total steel capacity. Already able to turn out 2.5 million ingot tons a year, the industrious South Africans plan on spending $800 million to double that capacity sometime in the near future. They feel, moreover, that they can do it with home-grown capital, and without raising the price of their present output.

But where, in fast growing South Africa, are the best targets for American investors and salesmen? The answer lies in the nature and direction of the Union's own rocketing growth. Already strong in textiles and long famed for the gold, diamonds, uranium and antimony of their mines, the South Africans first of all want sophisticated machinery for those two industries. "The latest we can get," notes van Eck, "to speed us on the way to automation."

Not to be overlooked by any businessman, though, are the famed farms of the South African veldt. Broad, rambling empires, often ranging up to 5000 morgen (10,700 acres) in size, they are run by men who are every bit as machine- and profit-conscious as businessmen in the city. Not surprisingly, then, the farmers too are mechanizing, with machinery of the heavy, durable type used in the U.S.

Home-building, and all the plumbing, sidings and multitudinous other items connected with it, is still another area with tremendous potential. For the Union has embarked on a huge home-building spree to house its fast-growing population. In 1959 alone, the country erected some 25,000 homes, most of them clustered around the 18 urban and mining areas, but with others in such native areas as Transkei and Ciskei.

Even those fields, however, make up only the beginning of what the South Africans consider are bright

possibilities. Take the synthetic rubber industry and the electrolytic refining of copper. Started in the union just a few years ago, both these industries are still in their early stage of development, and demand for synthetic rubber alone is steadily outrunning the supply.

The South Africans feel they can provide a market for almost anything. Consider even so heavy an industry as automobiles. In the past, foreign companies generally established auto assembly plants in the Union, then shipped in dismantled cars for final assembly. Now, the South Africans would like to see a plant established of their own, and think that the 100,000 cars they imported last year would support it.

With so many possibilities, the union already has succeeded in bringing in such large companies as Goodyear Tire & Rubber, GE, Armco Steel, and Allis-Chalmers Mfg. Co. The Phillips Petroleum Co., for example, already has joined with the Industrial Development Corp. to build a $2.3 million carbon black plant in Port Elizabeth. With a capacity of 22 million pounds a year, the plant is expected to fill a demand for oil furnace carbon black which is estimated at roughly that amount.

Whenever an executive thinks of South Africa, however, he also thinks of that nearly unpronouncable Dutch word: apartheid, the racial separation developed in South Africa. Does this separation, inquires the American businessman, mean a continuation of the riots of the past?

Some Africans argue that it will not. As they point out, the Government has stepped up its program to establish separate facilities, separate opportunities and separate privileges for the non-whites.

Too, the Government has set up schools and hospitals, and also has been moving to bring industry to the Bantus. Generally, this has been done by a Government-financed fund which has taken over the role of normal private industry. The fund makes loans to the Bantus, and enables them to establish their own businesses and industries.

On the fringes of the tribal lands, many outside industries employ the tribesmen. The South Africans encourage this program, since employment among the Bantus also increases the nation's total ability to consume. Generally, it is true, surveys show that the Bantu works for about seven months, and then returns to the North to enjoy the fruits (and leisure) of his labor. On the plus side, though, the Bantus do very well at repetitive tasks, particularly running machinery, and many Union manufacturers rely quite heavily on them. Too, studies show that as the Bantus become accustomed to the houses which the Government is building for them, their turnover rate drops sharply.

What about South Africa's high degree of economic dependence on mining? Not only do the famous mines of the Witwatersrand and Orange Free State make the Union the world's biggest producer of gold, the nation also is the chief producer of antimony, diamonds, platinum and chrome. It also has prolific stores of manganese, copper and coal. With that wealth, then, mining accounts for 13% of the nation's gross national product, and gold and uranium alone account for 47% of its exports.

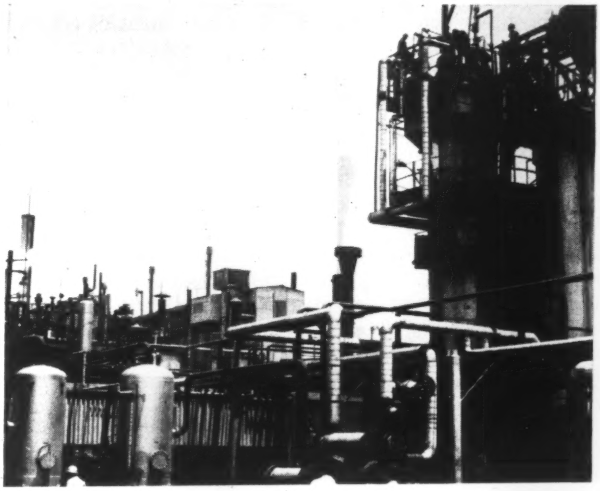
The South Africans, however, feel that this dependence, high as it may be, can also bring them a measure of safety. For one thing, the nation could pay its entire foreign debt with just eight months' production from its rich gold fields. "That," says one South African with satisfaction, "is a security few countries have."

Of course, any executive who considers the Union for his first African venture must decide for himself whether the economic advantages offered by the Union of South Africa outweigh the risks. In the opinion of many leading American companies, they do.

What is the factor that tips the scales? It may be embodied in a fact South Africa's Dr. van Eck never tires of repeating: American companies doing business in the Union of South Africa are averaging profits of 27% on invested capital. For profit-hungry American corporations, the figure is a very tantalizing one indeed.

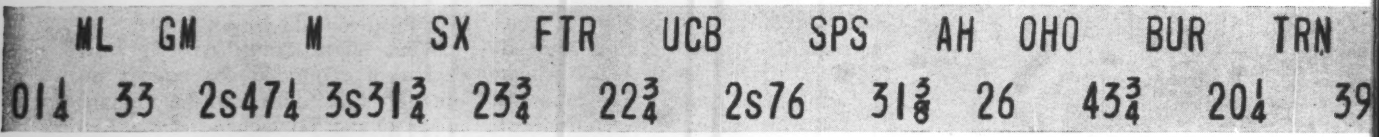
—JACK J. FRIEDMAN

STRESS ON THE MODERN is typified by oil-from-coal plant at Vanderbijlpark, largest of its kind in the world.



PRINCIPLES of mass education are studied by Bantu students under the guidance of a European lecturer.

True, they save the buyer 8% on his investment. But, compared to the load-charging mutual funds . . .


ML GM M SX FTR UCB SPS AH OHO BUR TRN
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How Good Are No Load Funds?

BUSINESSMEN who want to take investment advantage of the considerable savings involved in buying no load mutual funds will have to go a trifle out of their way. No salesmen will call on them. No customers' brokers will help them decide which funds are best for them. The no loads are mutual funds which sell at net asset value. The investor pays no sales commission (or loading charge as it is called in mutual fund jargon). Thus the investor saves 8% or so on every investment. Whether he is interested in funds for accumulation plans or for a lump sum investment, the cash saving is well worth it.

To obtain that saving, though, he must choose among a wide range of no load funds—some 25 in all. There are no load balanced funds, growth stock funds, specialty funds and ordinary common stock funds. The range of no load funds, in short, is every bit as wide as that of the regular mutual funds.

How does the potential investor set about getting the information he needs? Generally speaking, it's his for the price of a four-cent stamp. A letter to the fund's managers usually brings a prospectus, recent annual and quarterly reports and whatever sales literature the fund has prepared. Also included, if the fund is registered for sale in that particular state, will be an application form.

A good record

But the big question for the investor is: How well do the no load mutual funds manage their stockholders' money? The answer: On the whole, at least as well as the average load-charging mutual fund. The facts and figures tend to show that the 8% saving in sales commission involves no sacrifice in quality of investment management.

Figures gleaned from one mutual fund study tell the story. They show that over roughly seven years of rising markets (mid-1953 through mid-1960), nine no load common stock funds appreciated about 150% on average, with capital gains distributions reinvested. This compared with capital appreciation of about 144% for the market as a whole (as measured by Standard & Poor's bellwether 500 Stock Average). The no loads, in other words, did somewhat better on the average than the market as a whole. They did better than the average load-charging fund as well. These showed an *average* gain of a shade over 140%. Had this particular survey allowed for the savings of sales commissions (which it did not), the no load funds would have shown up even better, relatively speaking, as against the load-charging funds.

The no load funds rank rather well, too, in the authoritative manual *Investment Companies,* published yearly by Wall Street's Arthur Wiesenberger & Co. One table in Wiesenberger's 1960 manual traces records of funds which operated for a full decade. Among the almost 50 general common stock funds, a no load fund (deVegh Mutual) easily led the field. Another no load fund, Scudder, Stevens & Clark, made an above-average showing. Of the 10 funds in the growth stock category, a no load fund (T. Rowe Price) ranked second. In the balanced fund category, too, the no load funds turned in good records.

Not all the no load funds did equally well, of course. The whole group was lifted up by the extraordinarily good growth records chalked up by T. Rowe Price Growth Stock Fund and deVegh Mutual. Nevertheless, both average and individual results for the group dispel any doubts as to their ability to handle investments well.

Who's who?

Who's who in the no load mutual fund business? Easily the biggest operator in the group is the 42-year-old Boston investment counselling firm of Scudder, Stevens & Clark. As of the end of last year it operated four funds with combined assets of about $228 million. Scudder, Stevens operates a complete family of funds, comparable in scope, if not in size, with the operations of some of the larger conventional mutual fund groups.

Scudder, Stevens & Clark Fund is a balanced fund (so-called because it maintains a portfolio balanced between common stock and fixed income investments). This is not the kind of fund for those looking for maximum capital gains, but it offers a workable compromise for those who want to have some money in stocks but with added protection in falling markets. Scudder, Stevens also operates a common stock fund invested in about 50 different stocks of generally blue chip quality.

Scudder Fund of Canada concentrates its investments north of the border but also holds a fair sprinkling of European stocks. It pays no dividends, plowing all of its profits and income back into more investments and thus offers a potential tax advantage to high-bracket investors. Finally, the smaller Scudder Special Fund (assets $38 million) is a rather more speculative fund whose investments are spread over smaller, growth-type companies.

Leading No Load Mutual Funds

Fund	Location	Recent Price Per Share
COMMON STOCK FUNDS		
Leon B. Allen*	**New York**	**$ 8.14**
American Investors	**Larchmont, N.Y.**	**18.46**
de Vegh Investing†	**New York**	**18.79**
de Vegh Mutual†	**New York**	**68.33**
Energy	**New York**	**26.19**
Guardian Mutual	**New York**	**23.78**
Johnston Mutual	**New York**	**15.11**
Northeast Investors Trust	**Boston**	**17.98**
Penn Square	**Reading, Pa.**	**15.61**
Pine Street*	**New York**	**13.32**
T. Rowe Price Growth Stock†	**Baltimore**	**16.20**
Scudder, Stevens & Clark Com.	**Boston**	**10.48**
Stein Roe & Farnham Stock**	**Chicago**	**34.21**
BALANCED FUNDS		
Dodge & Cox	**San Francisco**	**47.64**
Haydock	**Cincinnati**	**29.42**
Loomis-Sayles	**Boston**	**16.91**
Mutual Shares	**New York**	**15.75**
Nassau	**Princeton, N.J.**	**14.02**
Rittenhouse	**Philadelphia**	**15.69**
Scudder, Stevens & Clark	**Boston**	**20.34**
Stein Roe & Farnham Bal.	**Chicago**	**38.86**

*1% buying charge. †1% redemption charge. **1% redemption charge for shares held less than one year.

Next in size among the no load outfits is another Boston investment counselling firm, President Maurice T. Freeman's Loomis, Sayles & Co. The Loomis, Sayles mutual fund, the biggest single no load fund, had $93.4 million in assets early this year. Loomis, Sayles is a balanced-type fund and has tended to do rather well in declining markets—while achieving moderately good appreciation in rising markets. Loomis, Sayles also operates a good-sized Canadian fund, Loomis, Sayles of Canada.

Stein Roe & Farnham, Chicago investment counsel, has followed in the footsteps of its two Boston rivals. It operates two funds: a balanced fund and a common stock fund. As is the case with the Loomis, Sayles and Scudder, Stevens funds, the SR&F funds benefit from being part of a large investment research organization, a factor which helps keep operating costs down.

Small but successful

Far from being the biggest but among the most successful are two middling-sized no load funds: Baltimore's T. Rowe Price Growth Stock Fund and New York's deVegh Mutual Fund. Both are operated by well known investment counselling firms, one headed by T. Rowe Price, the other by Imre deVegh. Both have won impressive laurels in the capital gains field during the long bull market. An investment of $1,000 made in 1950 in the T. Rowe Price Fund, capital gains reinvested, would have been worth $4,797 by the end of 1960. A similar-sized investment in deVegh Mutual would have appreciated to $5,585.

These two no load funds reached their objectives by quite different paths. Price concentrated on growth stocks. DeVegh tended more toward cyclical stocks and was quite successful in catching the swings in the stock market. Both the deVegh and Rowe Price organizations have been so successful with their first funds that they have since branched out, now offer two funds each.

Another smaller no load fund which has attracted attention for an excellent record is New York's Johnston Mutual Fund. During 1960, when the stock market dropped 9% on balance, the Johnston Fund managed an 11.6% gain in asset value—apparently the best 1960 showing in the entire mutual fund business. The Johnston Fund, most of whose assets are invested in common stocks (80% at the end of 1960), has a fairly conventional portfolio of growth and blue chip stocks.

There are also several highly specialized funds operating in the no load field. Energy Fund, for example, one of the few mutual funds operated by a member firm of the New York Stock Exchange, specializes in the field of energy stocks. A relatively new fund (started in 1954), Energy has done rather well to date and now boasts total assets of more than $15 million. Energy's broker-managers are Ralph Samuel & Co. Another offbeat no load fund is George Nelson's tiny (assets $4 million) Nelson Fund. Nelson specializes in foreign stocks. Boston's Northeast Investors Trust, another small no load fund, tends to emphasize current income more than most and thus pays one of the highest returns from current income.

The list of no load mutual funds also includes the New York-headquartered Guardian Fund, Philadelphia's Rittenhouse Fund, the fast-growing Penn Square Mutual Fund, located in Reading, San Francisco's Dodge & Cox Fund, Cincinnati's Haydock Fund, which is affiliated with the Scudder, Stevens organization, and several small funds.

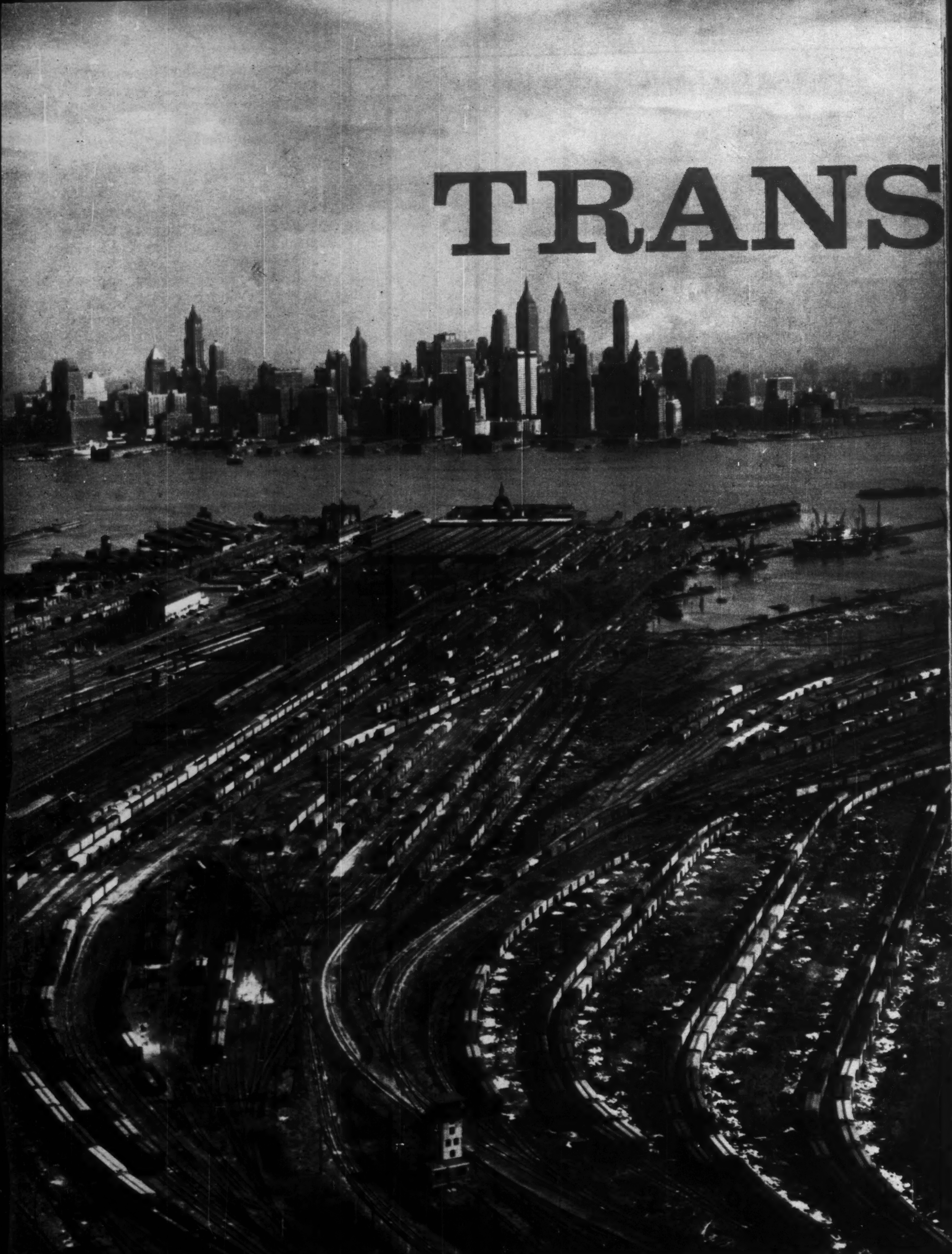
How good is the service?

What about service? Can the no load funds supply the same range of estate services and investment options the bigger, load-charging funds offer? More and more the no load funds are trying to do so.

In some cases the no loads levy a small charge for accumulation plans and occasionally ask a higher minimum installment. Several also charge a 1% redemption levy, whereas load-charging funds will cash in their shares free of charge in the vast majority of cases. But by and large the no load funds have been fairly successful in matching the service offered by their competitors.

All in all, then, it would appear that the no load mutual funds offer an attractive investment and estate-building medium for businessmen, especially for those looking for a considerable saving in precious capital funds.

This is the second of two articles on the no load funds.


TRANS

PORTATION

The $50-Billion Battle

A SPECIAL REPORT

The goods that move over America's roads, rails, and rivers, the cargoes that fly high and sail the seven seas—these are the glittering prizes that the carriers fight to win.

"Is transportation competitive?" snorted an executive at one of the Dun's Review panels on transportation. "It's never been so bad as it is now." Seemingly exaggerated, that statement accurately describes the freight business today. Never have railroaders fought truckers so hard, never have airlines been so alert to uncover the tiniest scrap of new business, never have even the barge lines plowed ahead with such relentless determination.

In many ways, the wonder is that the battle has not grown even fiercer. At stake is what may well be the biggest prize in business today—a sprawling, dynamic market of no less than $50 billion a year, the amount which Dun's Review estimates that industry spends on shipping its iron ore and TV sets, its gasoline and cosmetics, its computers and its paint.

Just how big a market is that $50 billion prize? As one way of looking at it, industry's shipping bill comes to more than three times as much as the price of all the steel sold in the nation, better than twice the net profits compiled by all

This Special Report was prepared under the direction of Senior Editor Thomas Kenny

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American corporations last year. Looked at in another way, businessmen this year will pay three times as much to move their output as they will spend on building and modernizing their manufacturing plants.

The very size of that market, however, means bitter competition. No less than twenty of the nation's 106 major railroads operated in the red last year. So did one-third of the large trucking companies.

Still another indication is the comparatively rapid shifts in the popularity of the competing carriers. In 1946, the railroads carried 67% of all the nation's intercity freight. Today, they move just 43%. In comparison, the truckers have raised their share from 9% to 23%. And the river and canal carriers, no mean contenders when it comes to garnering the shipper's dollar, have boosted their share from 3% to 9%—during the very period when Great Lakes' vessels were seeing their cut drop from 11% to 6%.

As if all that were not enough, a sturdy newcomer has appeared on the scene in recent years. That is the do-it-yourself carrier, the trucking fleet operated by what was formerly a lush account belonging to some trucker, railroader, or bargeman. Indeed, by far the biggest slice of that $50-billion prize is being spent by industry to operate and maintain its own sizable private fleets.

But for the shipper, it should be noted, the hard competition for his favor comes as something of a mixed blessing. On the one hand, the battle has enabled him to lower his own shipping costs. On the other, those reductions often mean a shipper himself must get involved in the regulatory jungle in order to obtain a reduction.

Not a few shippers, moreover, feel that the carriers' assaults on each other can sometimes lead to an impairment of service. Listen to Richard M. Boyd, president of the National Industrial Traffic League:

"In a sense," he argues, "it's a feudal system—carriers look upon operating rights as 'grants from the crown' which are not to be violated. If someone has a better mousetrap he can't put it on the market because someone else has exclusive trapping rights. Common carrier obligation is too often being replaced by common carrier right."

But for all the red tape and legal difficulties involved in getting a rate decrease, nothing looms quite so importantly in the mind of the shipper. Even the biggest corporation, moreover, cannot afford to overlook a saving of, say, 5% in its freight costs. Take the $840 million (total assets) Olin Mathieson Chemical Corp. Every year Olin Mathieson spends $100 million—roughly $273,000 a day—to bring raw materials into its plants and send out finished products to its customers. Like most other companies, this adds up to Olin Mathieson's third largest bill, surpassed only by labor and materials costs in its operating expenses. More, saving just 5% of that would be about one seventh of all the profits Olin Mathieson compiled last year.

It is small wonder, then, that manufacturers are looking harder than ever for new ways to control that expense. Long accustomed to relegating this responsibility to middle-management, they now realize that shipping has become important enough to call for a new upgraded approach. Shipping, in short, has bulled its way up from the loading dock to the executive suite.

More than ever before, then, management is tying together all its distribution activities. Both General Foods and Westinghouse, for example, are now engaged in massive changeover programs. When its program began two-and-a-half years ago, Westinghouse had nearly 200 separate warehouses. By 1965, it will have only 30 distribution centers, providing better service at lower costs.

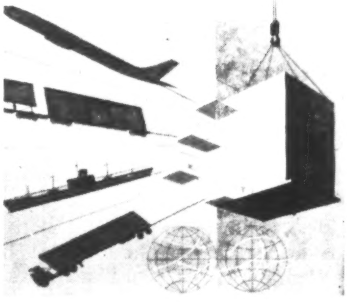
Too, management has new weapons in this campaign. Operations research and electronic computers are helping spotlight savings that have been hidden and untapped up to now.

"Computers," says James F. Haley, vice president, traffic and transportation, Koppers Co., "are demonstrating that they make functional decisions of choice more quickly, more accurately, and much less expensively than do middle managers. Ultimately, in the hands of the man who can make the computer work will rest the power not only to decide how most decisions will be made but whether they will be made at all."

In the final analysis, then, everyone connected with shipping is in a battle—a $50 billion-a-year struggle for the greatest prize in American industry.

I

RAILS



Unless they merge, the nation's railroads face almost certain death. Unless they can hold business against truckers, airlines, and barges, there'll be nothing left to merge. So, it's a call to arms for the rails today.

War on Two Fronts

OF ALL THE NATION'S railroadmen, one has been high-balling ahead at a particularly impressive speed in recent years. That executive is Stuart T. Saunders, president of the Norfolk and Western Railroad Co. Year after year since 1954, Saunders has been able to roll higher profits over the N&W's 2,743 miles of track.

As every railroadman knows, Saunders turned that trick in just one way. By merging with the Virginian late in 1959, he brought together two of the most efficient carriers in the industry. Both were able to cut down on duplicate facilities to the point where the merger eventually will bring them estimated savings of $12 million a year. (The savings from the once proposed Pennsy-Central merger would have added up to $100 million a year.) With that healthy base, then, Saunders has been able to go all out in bringing new business for his road.

For all the nation's railroads, the big job these days is to follow in

WHAT THE NATION PAYS FOR FREIGHT

(including mail and express)

	$ Millions, 1961	
HIGHWAY		
Truck *(non-ICC regulated, intercity)*	$12,300	
Truck *(local)*	8,400	
Truck *(ICC regulated)*	6,930	
Bus	45	
		$27,675
RAIL		
Railroads	8,210	
Railway Express	316	
		8,526
WATER		
International	1,240	
Coastal & intercoastal	600	
Inland rivers & canals	460	
Great Lakes	185	
		2,485
PIPELINES		
ICC regulated	775	
Non-ICC regulated *(intercity)*	245	
		1,020
FREIGHT FORWARDERS *(domestic surface)***		450
AIR		
Domestic	222	
International	140	
		362
SHIPPERS' COSTS ****(other than freight payments)*		1,600
HIGHWAY CONSTRUCTION & MAINTENANCE COSTS *(non-reimbursed)*		4,000
MISCELLANEOUS *(warehousing, shipping & receiving, handling, packing, insurance, etc.)*		4,000
GRAND TOTAL		50,118

***Total revenues before forwarder payments for other carrier services.*

****Includes the operation of industrial traffic departments.*

Estimates based on data from the Transportation Association of America

Saunders' footsteps. Where competing forms of transportation must worry primarily about obtaining more business, the railroaders must fight their war on two fronts. Like Saunders, they must merge to cut down on their costs. But while doing that, they must also hold their own against the trucks, planes and other forms of transportation.

What's more, the rails cannot afford to slow down on their merger plans. Their plight simply is too desperate for that, the financial burden of unused facilities too heavy to bear. Even now, roughly half of all railroad traffic remains concentrated on a minuscule 2% of the industry's 217,700 miles of track.

So the rails must merge or, quite literally, die. "The time has come," says President James M. Symes of the Pennsylvania Railroad, which owns 33% of the Norfolk & Western's stock, "when it has got to be done, and we are going to do it ourselves or it is going to be done for us through nationalization of the industry."

The Northern Pacific's President Robert MacFarlane is in fairly close agreement. "I don't say mergers are the whole answer," he observes, "but they're at least a partial answer to our problem of too much plant for our revenues."

But can the rails do it? And can they return to the profitable track that blazed iron trails across the nation in the 1880s and made them its Number One carrier right up to 1953?

The Court steps in

The rails got one helping hand in that direction just recently from no less a body than the United States Supreme Court. By a vote of eight to one, the Court ruled that merging railroads no longer had to freeze personnel in their jobs for four years. With that ruling, the rails not only are free to go after new mergers. They can count on at least some savings showing up within a reasonable time after they do merge.

Those savings, moreover, can be considerable enough to enable them to put up a real fight for more business. Pierre R. Bretey, the veteran Wall Street railroad analyst (Hayden, Stone & Co.) once estimated just what mergers could mean. Among his estimates:

- Recovery of salvaged material at the rate of $5,000 a mile
- Reduction of annual track maintenance expenditures by roughly $3,000 a mile
- Creation of substantial carry forward tax credits.

One thing, of course, is certain: the rails desperately need such savings. Last year, for the fifth straight time, railroad profits again declined. Their operating net of $584 million on gross revenues of $9.5 billion, in fact, was the lowest since 1938 and represented a perilously low return of only 2.13% on their investment.

Pointing up their plight even more, better than half the industry's operating income came from just seven of the nation's 106 major railroads. The roads: the Norfolk and Western, Southern Pacific, Chesapeake & Ohio, Santa Fe, Southern Railway, Union Pacific, and the Missouri Pacific.

The rails' uphill climb has continued into this year. During the first quarter of 1961, the 106 major railroads lost $13 million vs. a profit of $99 million during the same period in 1960. And of the 30 railroads surveyed by DUN'S REVIEW, less than a third see any real improvement coming this year. Virtually all of them tie their hopes to the boost in the general economy. Only two, the Louisville & Nashville and the Western Pacific, expect cost reductions to raise their net operating income. And the Western Pacific is engaged in "a severe analysis of all activities to eliminate duplication and needless work effort."

A matter of leverage

Even moderate cuts, though, can mean a big difference. Once a railroad moves past the break-even point, its profits can increase at an astonishingly fast rate. By one rule of thumb in the industry, in fact, an increase of $1 in revenues can be obtained through a boost in operating expenses of just 40¢.

What are the railroads doing to add on that all-important dollar of revenues?

For one thing, all but a few of 30 surveyed by DUN'S REVIEW are trying to step up their sales efforts this year. Generally, they are putting new life into the sales force, giving it more training and better sales ammunition. But with so many rails still mired in red ink, only three can plan on increasing their advertising budgets and only eight can increase their expenditures for market research.

The rails' eyes, not unnaturally, are focussed on bulk shippers. The New York Central Railroad, for example, is setting up a new department to advise shippers on the total costs of physical distribution, rather than simply on ways to cut the freight bill. REA Express—the reorganized Railway Express Agency—is also now providing consulting service to shippers.

And the Reading's President E. Paul Gangewere, leaving no stone unturned, is enlisting the aid of his line's 10,230 employees, encouraging them to talk up the benefits of using the railroad's services.

Moreover, the railroads have the advantage of running on private right-of-way, so they are not restricted on size, weight and speed. The effect of this on line-haul operations gives hope to even the most depressed railroad: ton-miles per operating employee on the railroads average out to about 990,000, far ahead of the 170,000 of common-carrier truck lines. Too, the rails get 192 ton-miles from a gallon of fuel, compared to only 55 for truckers.

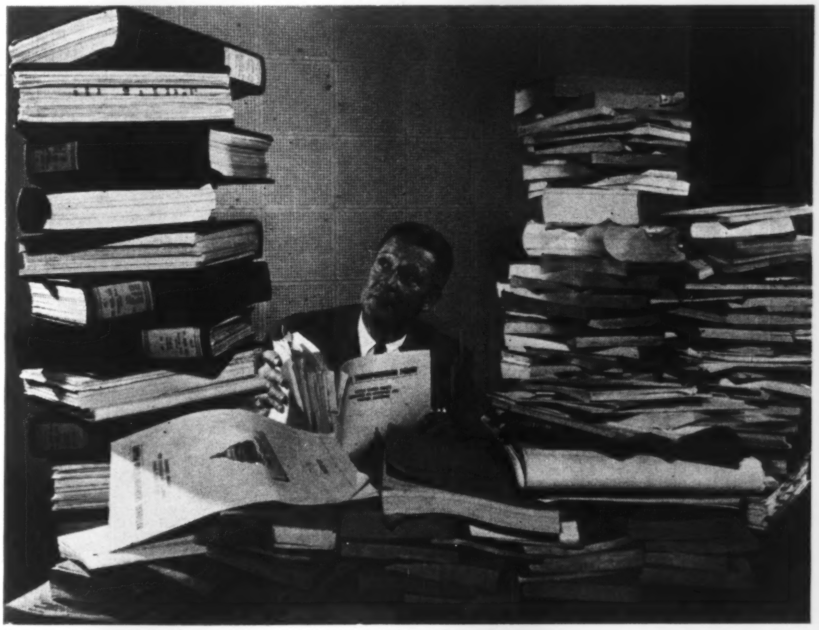
Another sign of the rails' slowly increasing efficiency: they have cut employment rolls by 40% since 1947 while their actual ton-mileage has been falling only 3%. Not surprisingly, the number of ton-miles produced by one train in one hour has risen 70% since 1946 while those per man-hour increased 50%.

Why, then, have the roads been losing out in the battle for the freight dollar? Last year their share of intercity ton-miles shrank to an all-

ACF CENTER FLOW

NEW DEPARTURE in railcar design is the inverted teardrop-shaped Center Flow car. Now being tested, it should speed handling of dry-bulk goods.

TOO MANY studies of the railroads' ills, too little remedial action—that's the trouble, says David I. Mackie, Eastern Railroad Presidents Conference.



time low of 43%. In freight transportation revenues, their share drops to only 23%. And while railroads freight revenues rose hardly at all from 1950 to 1960, the for-hire truckers better than doubled their own.

As the shippers see it, much of the blame for this drop can be laid at the rails' own doorstep. Among other things, they argue that shipments by rail often are subject to unnaturally long delays. And the rails are held to rigid rates, which do not reflect the low cost of shipping by train. "The railroads," sums up one shipper, "are trying to do business in the 1960s with 1880 methods."

The rails, for their part, answer that the average boxcar is on the move only 15% of the time between actual, physical loading and unloading. Most of this time, they say, is taken up by delays in terminals, interchange switching, loading and unloading.

Not that they refuse to admit that they may have contributed to their own undoing. Take their obsession with lengthening trains in order to cut costs.

It's true that Norfolk and Western, the railroad with the lowest operating ratio, is also the one with the longest trains, sometimes as many as 200 cars. However, what is good for coal may be entirely inappropriate for high-value merchandise freight, and such railroads as the New York Central and the B&O now are looking into shorter, faster trains.

"The emphasis upon service," declares John L. Loftis, director of marketing for American Car & Foundry Division, ACF Industries, Inc., "will create shorter and more frequent trains. This will reduce both the cost of operation and plant overhead by increasing utilization of the fixed plant.

"Some studies already indicate," he goes on, "that freight trains of 30 to 40 cars would not increase costs and the resulting rise in revenues from more frequent service would bring a greater net return on dollars invested. Shorter freight trains reduce switching and the ever-increasing pressures on yard capacities."

Before long, this development may well move out of the study stage. "Right now," says Frank Macomber, transportation expert for A.T. Kearney and Co., consultants, "there's a lot of thought going into the problem of short vs. long trains. It will soon become a burning issue for railroad management."

Another approach, being studied by the New York Central, involves a pipeline effect for railroad operations —that is, concentration of the fast frequent freight business between high-traffic centers and avoidance of switching and terminal delays. Special equipment, such as internal bulkheads and other bracing equipment, is already being turned out for this

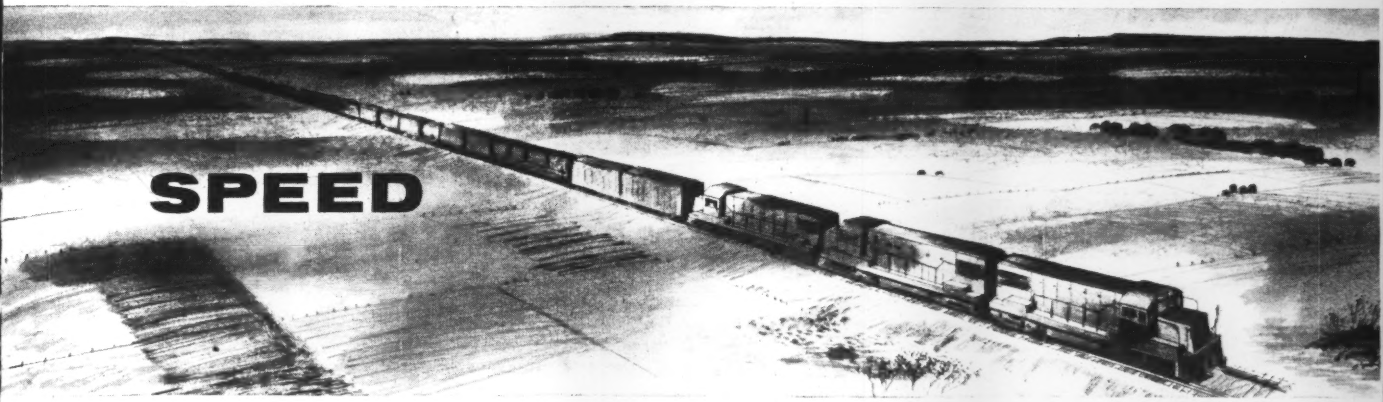
Getting Back on the Track

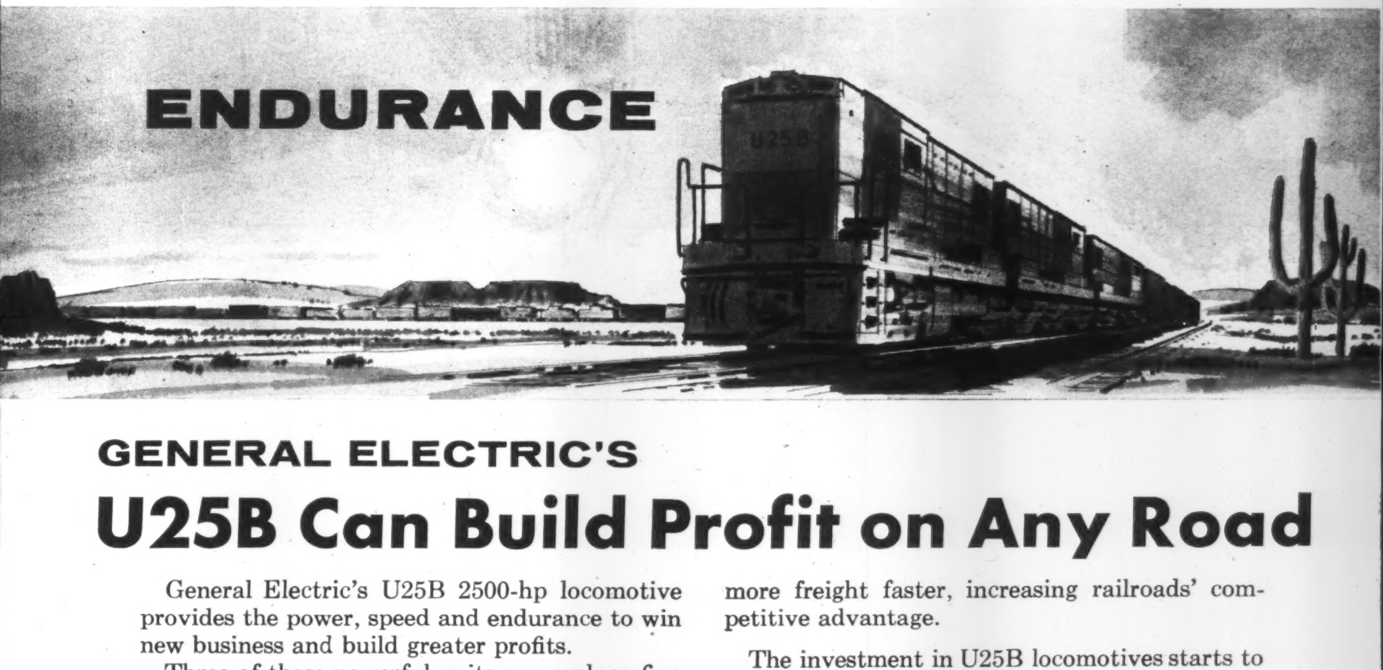
Critical as it was of Government regulation, the recent Doyle report to the Senate Commerce Committee did not spare railroad management either. Though it praised rail executives for "great improvements," the report is studded with biting phrases: "a comprehensive tradition of monopolistic self-determination"... "ingrained patterns of thinking" . . . "reluctance to market research" . . . "reluctance to revise outmoded rate structures" . . . "unwillingness to experiment" . . . "resistance to change," and a number of other indictments.

Gen. John P. Doyle, the report's author, took particular aim at the railroads' financial management, the incompetence of middle managers—and the lack of interest in seeking future talent.

"In most businesses," Doyle points out, "any procedure which is 25 years old is automatically regarded with suspicion. In the railroad industry, if a practice is 50 years old, it is sacrosanct."

THE SUPERVAN TRAIN—a fast all-container express between New York and Chicago—is bringing business back to the New York Central. Shippers like the 24-hour door-to-door service for plants without rail sidings.





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General Electric's U25B 2500-hp locomotive provides the power, speed and endurance to win new business and build greater profits.

Three of these powerful units can replace five older 1500-hp locomotives. This means real savings through greatly reduced maintenance and low operating costs.

The power and speed of the U25B can move more freight faster, increasing railroads' competitive advantage.

The investment in U25B locomotives starts to pay off the day they go to work.

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I lease trucks from Hertz

When a business man talks like this, it means he has learned a basic lesson in modern management methods. He's using trucks leased from Hertz for making money. And—at the same time—he's putting his capital to work in more productive business-building ways.

"When I decided to lease" says one man "Hertz paid me cash for my trucks and gave me a choice of new GMC, Chevrolet or other famous-make trucks. The cash I got boosted my bank balance and improved my credit line. And here's the part I like. I didn't have to lay out one penny of capital, nor did I incur a liability. I pay the cost out of current income—one fixed amount a week. And that includes everything except the driver."

Here's another economy. Hertz experts design trucks to the customer's needs—each vehicle is engineered for maximum performance. Result: many plant owners find they get along much better with fewer trucks.

Customers also find they can do away with expensive "standby" trucks. You lease only those trucks needed for normal operating conditions. If one of your trucks is tied up for

repair, a replacement is provided. Or if extra units are needed for rush jobs or peak periods—Hertz supplies them immediately.

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If you would like to know more about the many benefits of Hertz Truck Leasing, call your nearest Hertz Truck Lease office. Or, write for booklet—"How to Get Out of The Truck Business"—to HERTZ TRUCK LEASE, 660 Madison Ave., New York 21, N. Y. Dept. B-6.

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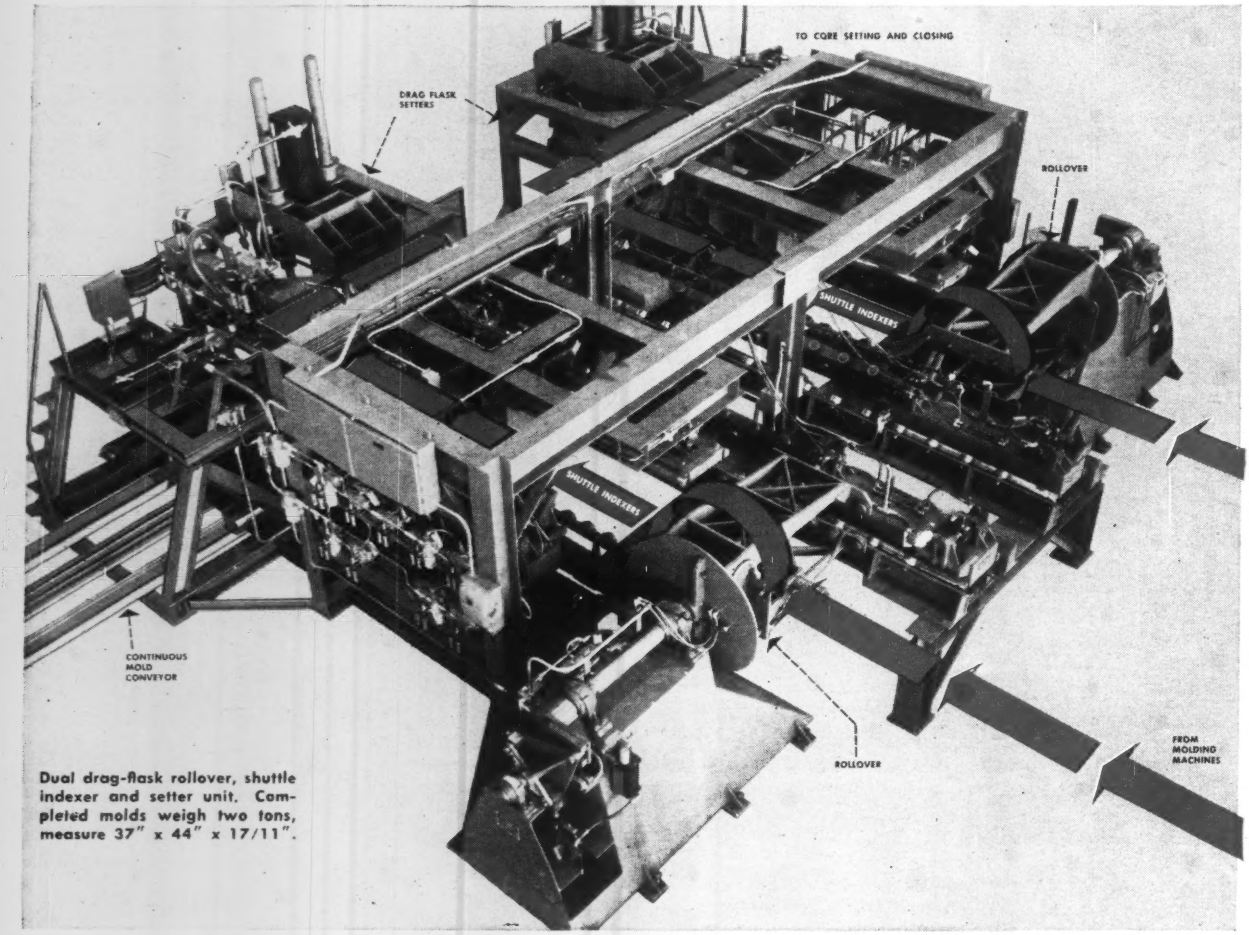

Dual drag-flask rollover, shuttle indexer and setter unit. Completed molds weigh two tons, measure 37" x 44" x 17/11".

Planet System Key to 400% Productivity Increase Per Man

The machine pictured above is a dual drag-flask rollover, shuttle indexer and setter unit. Its job and the job of the companion machines which make up this unique flask handling system is to weld a combination four- and six-cylinder engine block casting operation into an automated, continuous production system.

Engineered and fabricated by Planet Corporation and installed in a large automotive foundry, this flask handling system automatically feeds flasks to the molding machines. After molding, equipment such as the unit pictured accurately sets the drag flask on a continuous car-top mold conveyor, automatically sets the core, and closes the mold before pouring. This Planet equipment then separates the flasks and recirculates them through the system.

The automation of this complete foundry line *increased productivity approximately 400% and resulted in substantial cost savings.*

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This is one example of *Planet Versatility* . . . Planet Corporation's ability to engineer, fabricate and install equipment that solves perplexing materials handling problems. *Planet Versatility* means you'll benefit from our diversified experience gained through service to leading corporations. It has paid them to plan with Planet . . . *it will pay you, too!* Write or call for complete information.

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12

type of operation by Evans Products Co. of Plymouth, Michigan.

Reflecting the rails' interest in new equipment, capital expenditures of $919 million last year were at the highest level in three years. Although these outlays are being cut back about 10% this year, spending is being increased for certain types of equipment—and versatile new types of cars made by such suppliers as Pullman, Inc.

That railroad management is not interested in retrenchment but rather in new approaches is also demonstrated by two other developments: the crewless diesel experiments soon under way on the Santa Fe, and the avid interest by the Pennsylvania, C&O, and others in proposals for wheelless, 150-mile-an-hour air-cushion trains.

Pushbuttons, of course, have already appeared in centralized traffic control and electronic classification yards, both of which speed service and slash labor costs. Now, the roads are looking to the automatically controlled crewless train. The proponents of this development point to the fact that although they operate in three dimensions, planes can fly without human control. In contrast, a railroad train on fixed rails on a private right-of-way still—in the view of railroad management—is operated by an abundance of manpower.

How far off are these trains? Actually, they may be coming fairly soon. A high-speed electric locomotive without anyone in the cab ran for ten miles on the French National Railroad under radio control as long ago as 1955. More recently, the Canadian National experimented with crewless engines.

Salvation by merger

But it is those mergers—and their quickening pace—which really give hope to railroaders. Railroad labor groups, it is true, have petitioned the Federal government to flash a red light on mergers, fearing the loss of many of the industry's 700,000 jobs. And many railroads, too, are opposing the movement.

Nevertheless, some two dozen railroads are now in various stages of merging, and hardly a railroad in the nation is not affected in one way or another. All told, the ICC looks for a likely decline of about 75% in the number of major railroads in the decade ahead. Says the Pennsy's

CINCINNATI . . . a city of stability and vitality

Typical water freight carrier serving Ohio valley

By 1963 . . . **3 times** the industrial tonnage of the Panama Canal

If your company is a heavy user of coal, steel, aluminum or chemicals, the view of the Ohio River from Cincinnati can look particularly attractive.

For a plant in this area not only finds these heavyweight and bulky basics closeby—but that they can be brought in by low-cost river transportation.

Many companies here have helped swell the industrial traffic of the Ohio River from 55 million tons to 81 million tons in the last four years. And with a multi-million dollar modernization program of locks and dams nearing completion, tonnage on the Ohio River is expected, by 1963, to reach 150 million tons—3 times that of the Panama Canal.

But every form of transportation helps you make the most of this area's profitable proximity to raw materials and markets. Eight major railroads serve Cincinnati. Six scheduled airlines offer fast air transport.

And the area's major airport, prepared for the largest jets, will soon be about 15 minutes from downtown Cincinnati with the completion of a new expressway. There are 147 interstate truck lines within overnight reach of 25 million people.

Lots of other advantages to locating here. We'd like to tell you about them. Soon.

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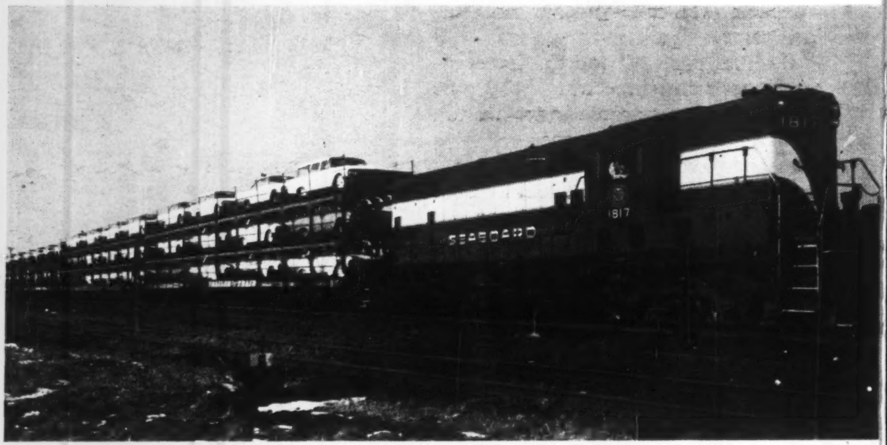
CARS ARE LOADED on a new auto-rack railcar, one of those the railroads are counting on to win back their new-auto business from haul-away truckers.



ANGRY TRUCK DRIVERS and their friends may hurl bricks at the cargo, but the rails are aiming to get 25% of this freight, vs. 10% two years ago.

Symes, "Today's jumble of a hundred or so railroads should be slimmed down to somewhere between seven and eleven streamlined systems."

That may well come about. As the president of one major Eastern railroad recently remarked: "After the mergers are completed by 1965, the remaining meetings of the Eastern Railroad Presidents' conference will be easily held in a phone booth."

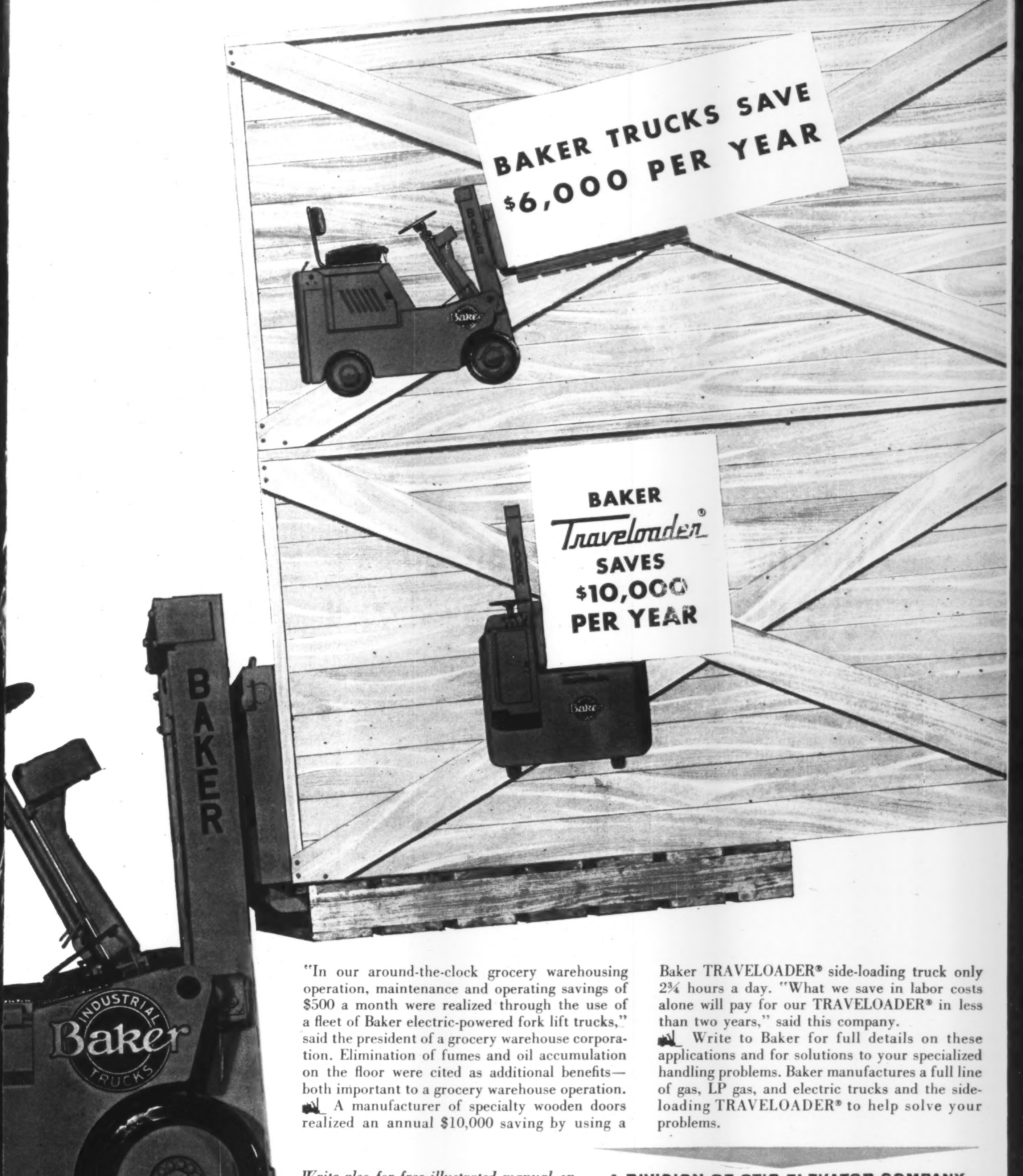
Although shippers have long been averse to any effort to reduce competition among carriers, the more astute now recognize that basic changes may well be needed. "I'm not yet ready to abandon competition," declares E. Grosvenor Plowman, vice-president in charge of transportation for U.S. Steel Corp., "but I am ready to go to the point where there are only two railroads between such major centers as Chicago and New York."

The reason for this acquiescence is not hard to find. "After the merger with the Virginian," declares the Norfolk and Western's Saunders, "we were able to offer considerable rate reductions to many shippers whose freight had been involved in interchange movements between the previously separated railroads.

The rate changes are putting new business on rails. For instance, rate reductions on paint, glassware, and sugar have considerably increased this traffic on the Pennsylvania Railroad.

Jumbo tank cars carrying twice the usual capacity of 10,000 gallons have enabled the railroad to reduce rates on chemicals and petroleum nearly 20% without impairing revenues. The C&O is now planning a cut in the rate on glassware that will bring "considerable savings to the shipper."

The hard-hit Eastern railroads



"In our around-the-clock grocery warehousing operation, maintenance and operating savings of $500 a month were realized through the use of a fleet of Baker electric-powered fork lift trucks," said the president of a grocery warehouse corporation. Elimination of fumes and oil accumulation on the floor were cited as additional benefits—both important to a grocery warehouse operation. A manufacturer of specialty wooden doors realized an annual $10,000 saving by using a Baker TRAVELOADER® side-loading truck only 2¾ hours a day. "What we save in labor costs alone will pay for our TRAVELOADER® in less than two years," said this company. Write to Baker for full details on these applications and for solutions to your specialized handling problems. Baker manufactures a full line of gas, LP gas, and electric trucks and the side-loading TRAVELOADER® to help solve your problems.

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have joined together in a task-force approach to pinpoint the specific areas in which rate reductions can pay off. The Commercial Research Bureau of the Eastern Railroads Traffic Executives Association conducts shipper surveys, analyzes U.S. Census data, and compiles figures on competitors' costs. The recent reductions on paint, glassware, lime, sugar, brick, and gypsum board resulted largely from the Bureau's work.

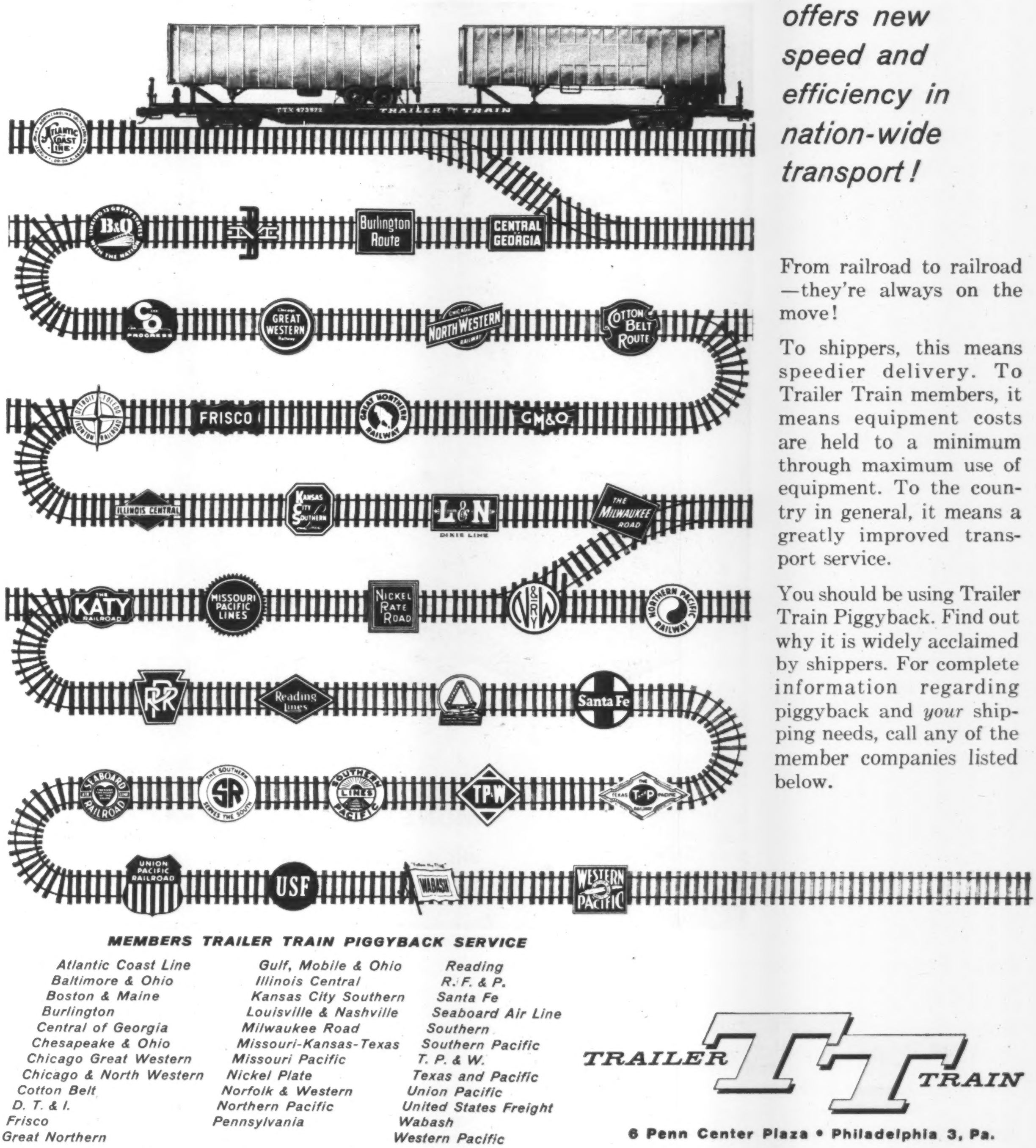
But despite work like this, market research is an untapped area on most railroads. "Railroads," admits E. Paul Gangewere, president of the Reading, "must know much more than they do now about their market potential. The Reading is now moving toward what may be a pioneering market research approach in the industry. We intend to know a lot more specifics about just what freight is moving in our territory, how it is moving, why it is moving in the manner it is—and most importantly how to attract and hold it to the Reading rails."

Income on the side

Too, the rails are diversifying into other income-producing activities. Blocked by regulatory restrictions from moving into other forms of transportation, railroads are turning increasingly to other sources of profit. Five of the 30 surveyed railroads report that a larger share of their total income is now derived from sources other than the movement of freight and passengers than was the case in 1955. The best-known, the Northern Pacific, now depends more on revenues from oil, gas, and timber on its properties and from real estate rentals.

In the view of railroad management, of course, all the red ink would disappear if Congress would let railroads compete equally with other modes of transportation, rather than be hobbled like the monopolies they were in the nineteenth century. They are pressing for increasingly relaxed regulations, particularly as to ratemaking, the end of "subsidies for competitors," reduced taxation on railroad property, and most of all, for the right to develop into diversified transportation companies with airlines, barges, and trucks ready to serve the shipper. "No matter what the shippers say," declares one top executive, "we do want to move into the twentieth century."

TRAILER TRAIN PIGGYBACK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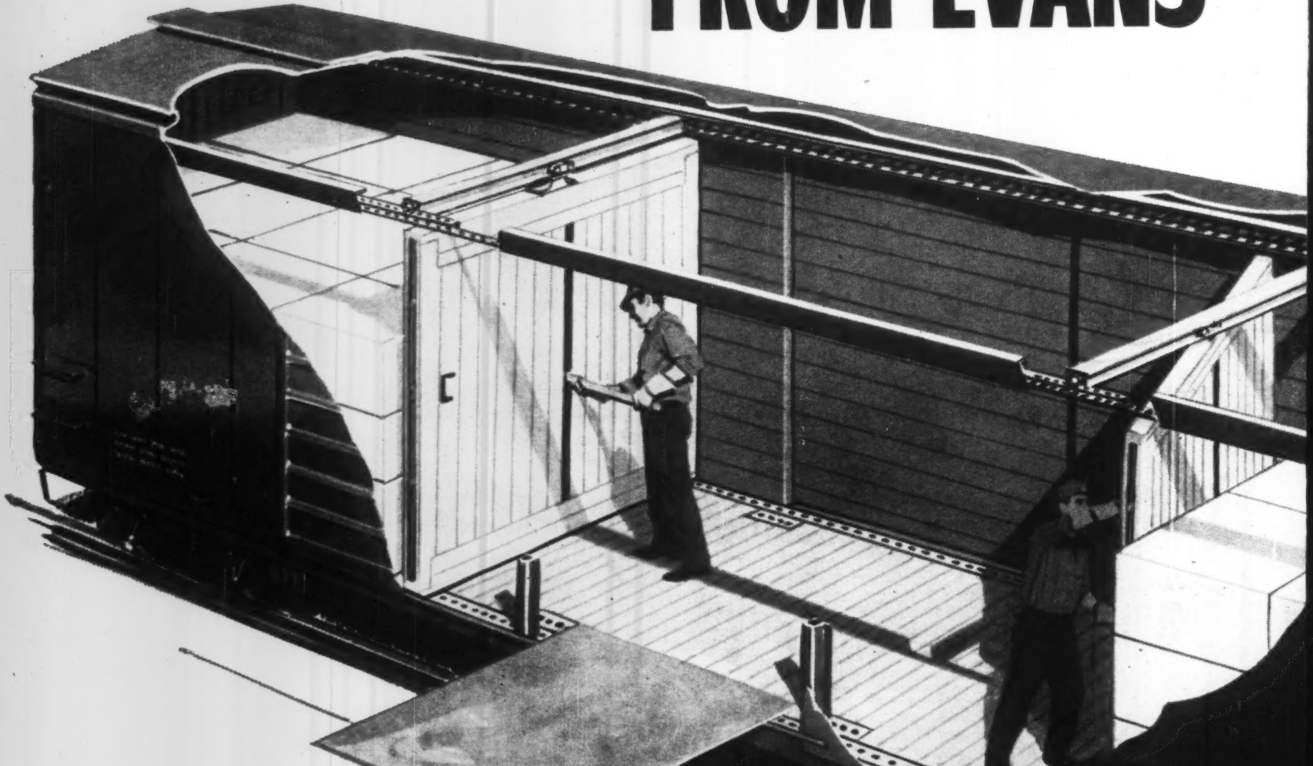

Evans Products Company, manufacturer of the famous DF* LOADER, presents another outstanding damage-prevention device . . . the one-piece DF-B bulkhead. Perfect for preventing damage in transit to most packaged and palletized commodities—bakery goods, canned goods, bottled goods, chemicals, toiletries, drugs! *Simple and easy to use . . . a one-man, one-lever operation!*

Evans DF-B equipment consists of a pair of one-piece bulkheads, each suspended from traveling beams. As illustrated, the operator can move the bulkheads into position against lading at any location in the car, or pivot them out of the way against either car wall. (They'll rotate a full 360°.) Lading is firmly braced and protected against transit damage.

Installation of DF-B equipment means savings in time, labor, dunnaging materials—and virtual elimination of shipping damage.

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ONE-MAN, ONE-LEVER OPERATION. Bulkheads are strong but light in weight. They are easily operated by one man. Shippers save on labor costs.

FASTER LOADING. One-piece bulkheads can be positioned and locked in just a few moves. They can be placed flat against walls of car or doorway area for maximum room . . . fork lift trucks can load and unload more efficiently.

NO REMOVABLE PARTS . . . EASY TO MAINTAIN. DF-B equipment is installed as part of the freight car structure. There are no parts to lose or to be replaced. The few working parts are accessible for easy and fast maintenance.

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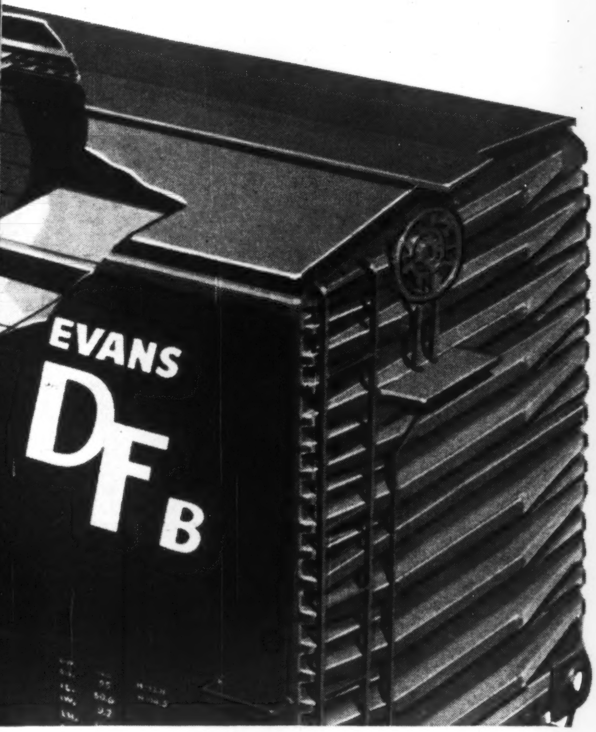
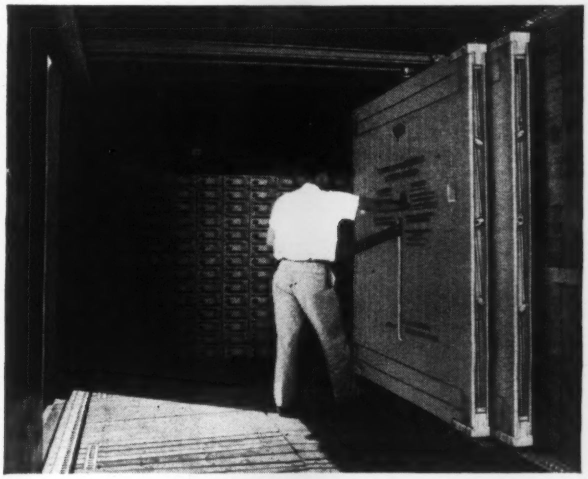
DF$_B$ EQUIPMENT . . . for controlled protection of lading in mechanical refrigerator, RB (insulated) and plain freight cars

Move the bulkheads anywhere you wish with minimum effort. They may be pivoted and laid against the car walls . . . or they may be moved easily and quickly to partition the lading at intervals along the car's entire length, including doorway area.





In a DF-B equipped car, lift trucks have plenty of room to maneuver for fast, efficient loading and unloading. Both bulkheads may be placed back to back, as shown, during loading of car. Bulkheads are out of the way, need not be handled until loading is completed.

RAILROADS AND SHIPPERS

elasticity. The bulkhead gives with impact just as the wing of an airliner does, without permanent distortion or "set."

VIRTUALLY ELIMINATES DAMAGE. DF-B equipped cars handle lading with the famous Evans "Kid Glove Treatment."® Railroads save money on damage claims . . . replacement of damaged consignments by shippers is cut to a minimum.

COSTS SHIPPERS NOTHING EXTRA. Shippers pay no extra charge for the use of DF-B equipped cars. Railroads have discovered that Evans-equipped cars create more business, bring in more revenue per year than common cars. And shippers can load cars to capacity—safely!

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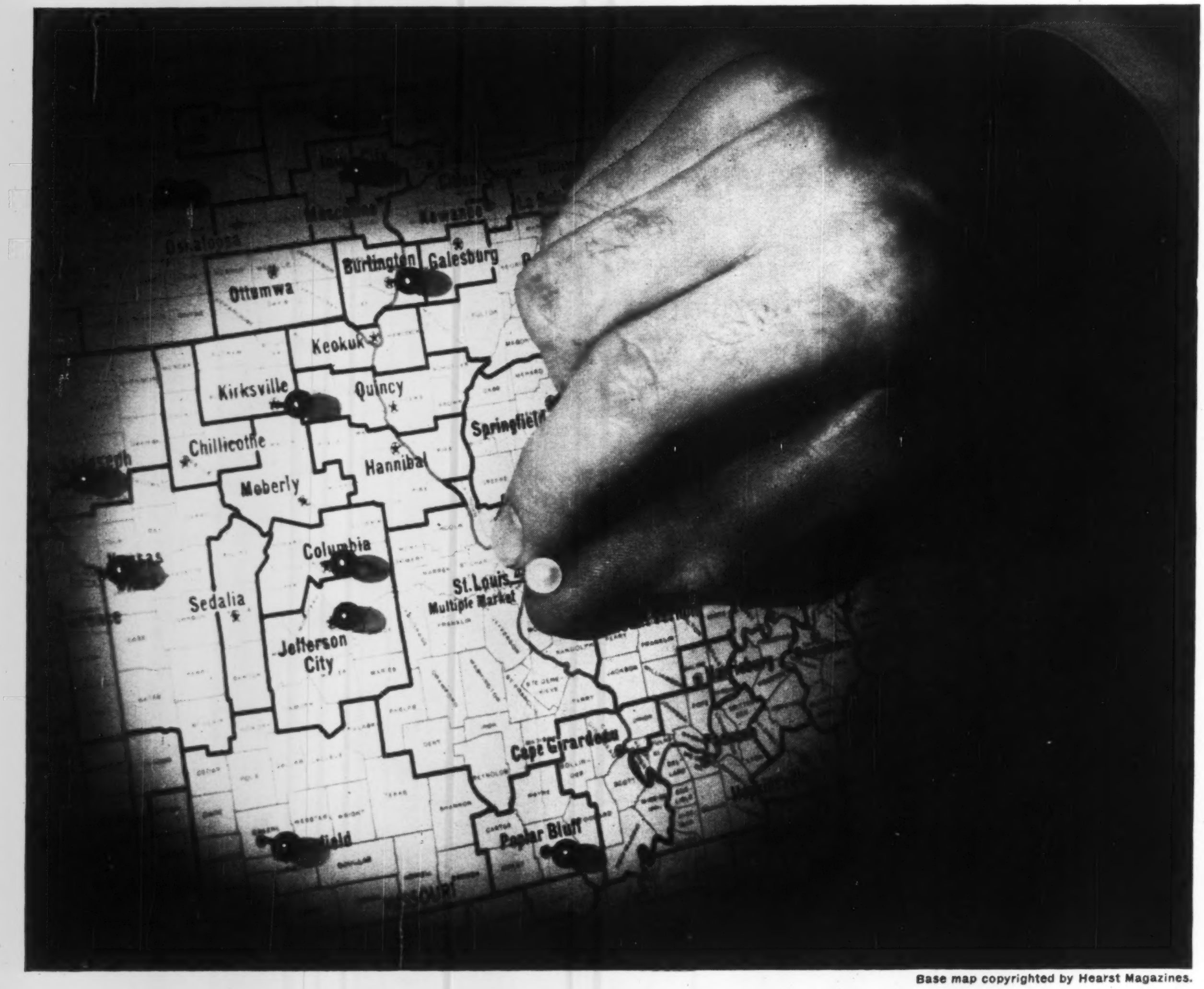
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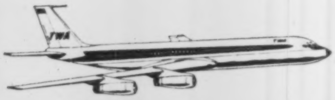

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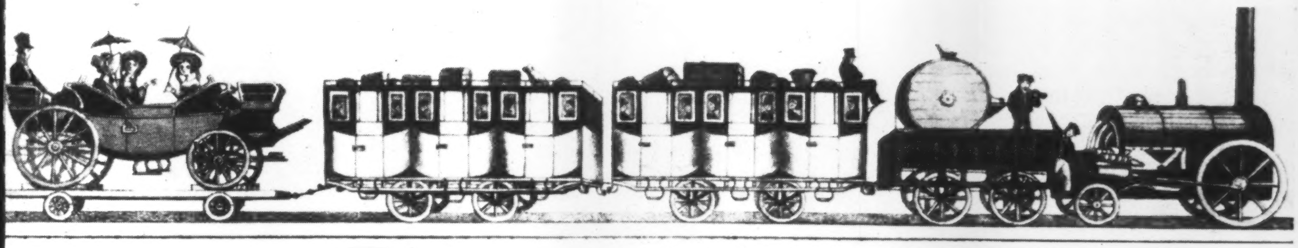
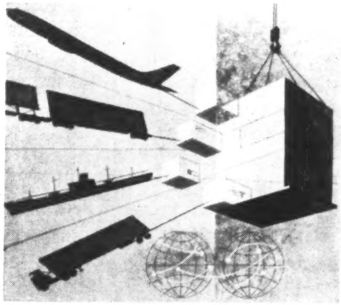
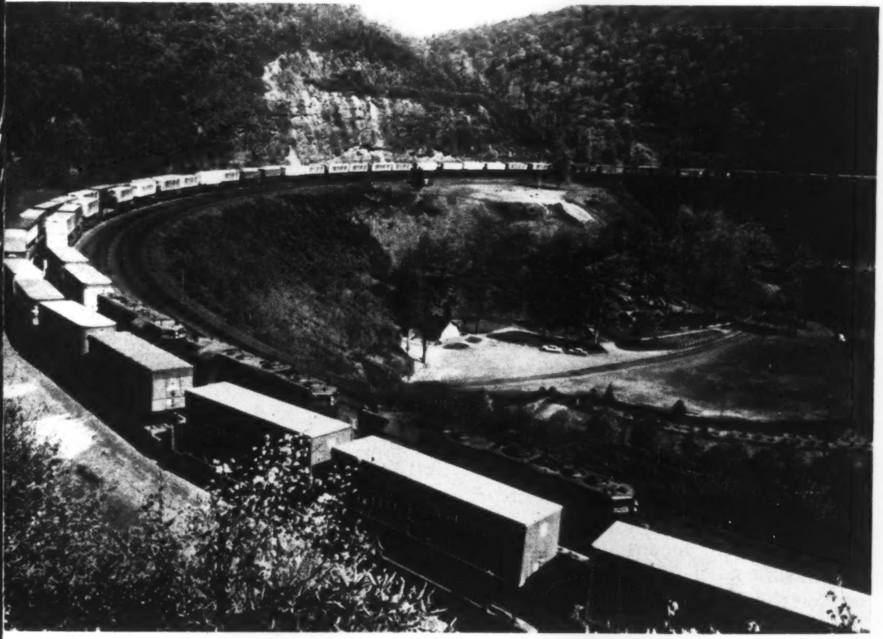
II PIGGYBACK



Who Gets the Bacon?



Potential revenues of $5 billion a year make piggyback a tempting prize, so while they work with one hand to make the service grow, the railroads, truckers, and shippers fight among themselves to get a bigger slice.



FOR THE PENNSY, piggyback is more profitable than any other service it offers. This year, it will bring in some 3% of the road's total freight revenue.

OVER THE PAST FEW YEARS, piggyback has been swelling like an Iowa hog at harvest time. As recently as 1956, truck trailers were riding on only 4,000 railroad flatcars a week. So far this year, however, hard-working loading crews have been averaging about 10,000 a week, hitting an even higher volume than they did in record-breaking 1960. What's more, they were loading that annual $200 million in revenues during a year in which total rail traffic was off by a dismal 15%.

Adding to that high-balling performance, piggyback still was accounting for only 2% of all the nation's rail carloadings. Even though roughly half of all rail loadings involve bulk products that cannot be piggybacked, it is clear that the new service still has a long way to grow. And since the trailer-flatcar combination enables the railroads to charge higher rates, piggyback's contributions to total rail revenues already are running far higher than the loading figures suggest.

On many roads, moreover, piggyback's contributions are outrunning the industry figures. The Wabash Railroad, for example, counts on the new service for no less than 8% of all its freight revenues. At the Erie-Lackawanna Railroad, Chairman Harry W. Von Willer feels that piggyback eventually will capture 60% of all rail shipments.

If Von Willer is right, piggyback will do more than bring new profits and revenues to the hard-pressed rails. It also will enable them to save huge sums of money by cutting down on the unwieldy number of branch lines, switching lines, yards, and other expensive transportation bric-a-brac that now eat into their revenues.

As all this suggests, the eventual rewards of piggybacking should run high indeed. Yet the new service still faces many bad stretches of track. Among them: the patchwork of service plans and complex rate regulations, and the confusing flood of unstandardized equipment coming from rival manufacturers out to take over a fast-growing market.

But the biggest problem of all, of course, is the desperate struggle still going on between truckers and rails. Each of them wants to control the new service. Still at stake, then, is the answer to what is nothing less than a $5 billion (estimated annual revenues) question: Who, eventually, will get the bacon in piggybacking?

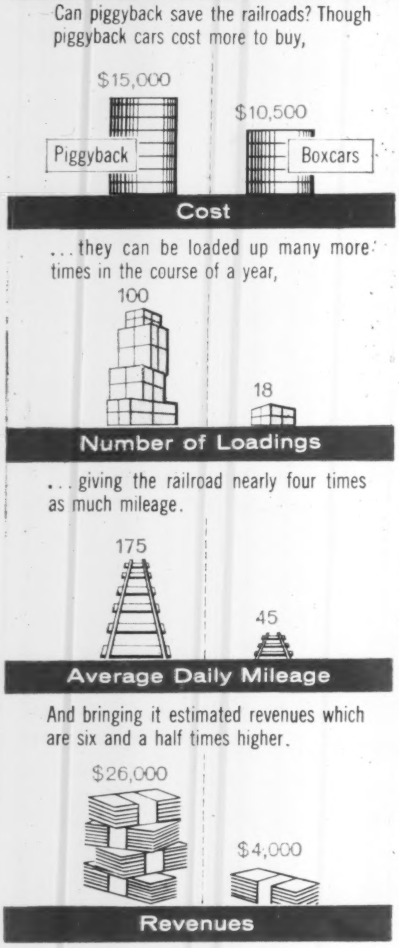
One industrial group, the railroad equipment manufacturers, is already living high on the hog because of piggyback. General American Transportation Corp., which produces and leases equipment, and North American Car Corp., which just rents it out, never had a better year than 1960. For both, revenues hit new highs and profits rose.

Railroad equipment manufacturers say that this year they will top the 5,500 piggyback flatcars (average cost: $15,000) produced during 1960. They'll also be taking advantage of the big replacement market, since nearly half of the piggyback fleet of 13,200 flatcars is made up of short cars that can take only one trailer.

The years ahead, not surprisingly, look even greener for the equipment makers. "By 1965," says George O. Green, sales vice-president of Pullman-Standard Division, Pullman, Inc., "piggyback carloadings will probably be up 30% to 40% from what they are today."

Profits from Piggyback

Can piggyback save the railroads? Though piggyback cars cost more to buy, . . . they can be loaded up many more times in the course of a year, . . . giving the railroad nearly four times as much mileage. And bringing it estimated revenues which are six and a half times higher.



What is it that's pushing piggyback to such heights of popularity? For one thing, of course, the service combines the best that both railroads and trucks have to offer—the railroads' low-cost line haul cost plus the trucks' flexibility.

The all-important cut in direct manpower costs is particularly striking. It takes only a five-man rail crew to handle a piggyback train of 100 trailers—which means that twenty trailers are moved by the manpower needed to take only one over the highway.

To the railroads, piggyback looks increasingly good for still other reasons—not the least of which is the fact that after many lean years, it's bringing them new business they need so desperately.

Their successful assault on the lucrative automobile delivery business, long held by haulaway truckers, is just one case in point. Back in 1958, the railroads moved only about 10% of the 4.3 million new cars produced. Today, industry executives predict that close to a quarter of the perhaps 5.5 million cars produced this year will go out by rail. The greatest gains, of course, are coming in long-hauls of over 1,000 miles, where the railroads have already captured the lion's share.

They may have a rough time hanging on to it, though, for their rivals are gnashing their teeth as they eye the rails' fat prize. "We're beginning to see some ugly reactions to our success in winning back the business we lost to the truckers," admits President Wayne Johnston of the Illinois Central. "There's been some violence against piggyback shipments—acid thrown on new automobiles, windows broken, and so on."

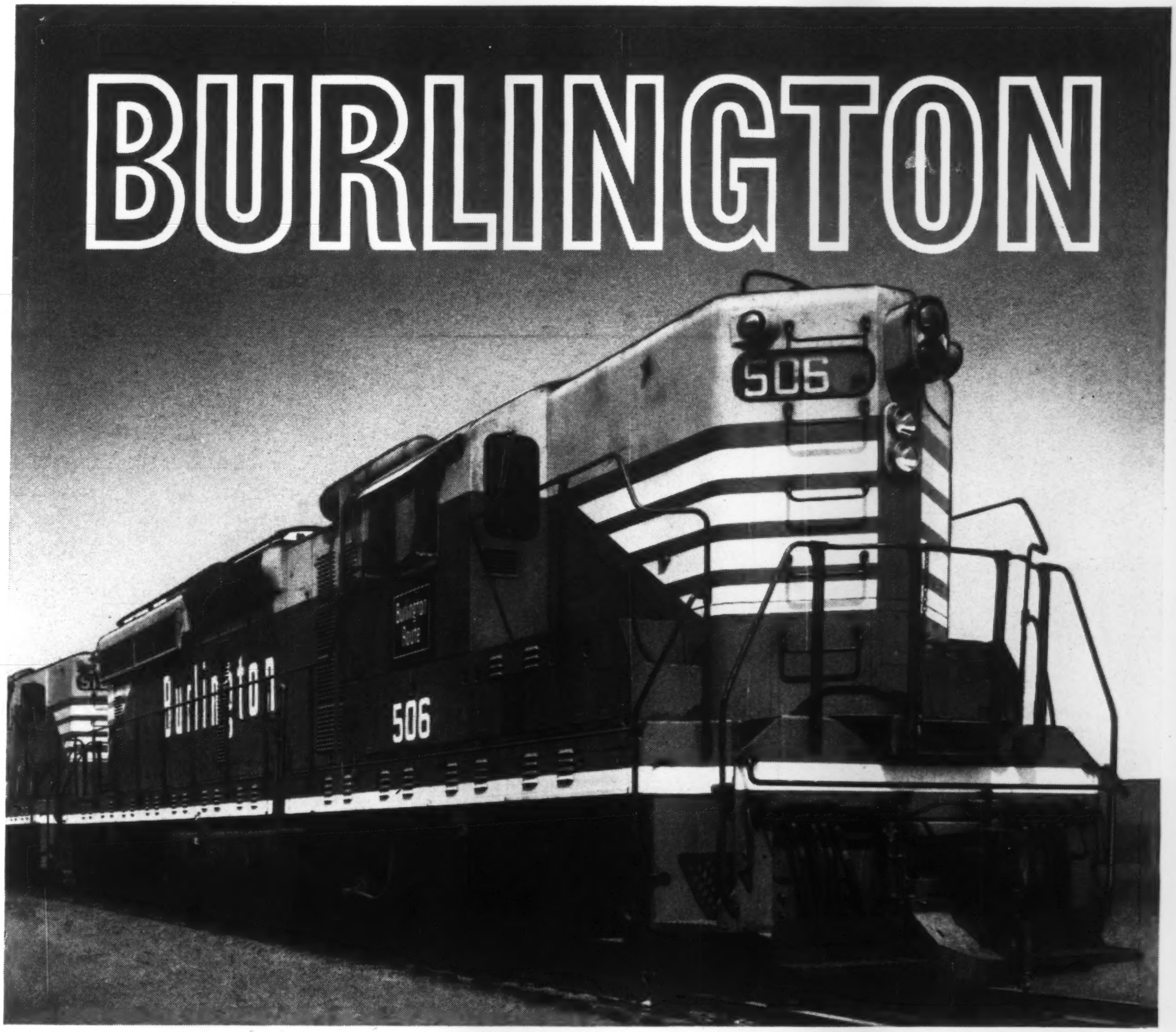
The reaction has been so ugly, in fact, that Congressman Oren D. Harris (D. Ark.) is sponsoring a bill to make damaging interstate shipments a Federal offense.

The auto-makers aren't exactly happy, either, that they've become the target of letter-writing truck-drivers with time on their hands and trouble on their minds. Jimmy Hoffa, the Teamsters' Union chief, claims that 15,000 truck drivers have been displaced. The barrage against the car companies, in consequence, has become so heavy that one of them drafted form letters to answer truckmen who say they've been piggybacked into a corner.

Even more worrisome to the automakers are the complaints from the trucking companies, prime customers of their truck divisions. One car manufacturer makes no secret of his nervousness at seeing photos of his models going piggyback.

But in these profit-pinching times, Detroit can't ignore piggyback's big advantage—the low freight rates (see page 87). Haul-away truckers, for instance, get $268.32 for taking a car from South Bend, Ind., to San Francisco. When it goes on a tri-level auto-rack railroad car, the charge is only $133.33.

That Detroit is committed to con-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BURLINGTON LINES

tinued piggybacking seems clear from the fact that the auto-makers are now revising their distribution center plans. They may even eliminate some regional assembly plants and supply more areas from fewer points.

Hearing news like that, it's no wonder that Illinois Central's Johnston looks for a rosy future with piggyback. Last year alone, piggybacking brought in $1.8 million to the Illinois Central, 25% more than in 1959.

New business is not the only benefit piggyback has brought to the rail lines. The total line-haul costs of piggyback shipments are only about 1¢ a ton-mile in long-haul operations, and the railroads also get a lot more out of piggyback equipment than traditional rolling stock. "A boxcar earns approximately $4,000 in revenue annually," notes President Eugene F. Ryan of The Rail-Trailer Co., "but a piggyback flatcar, with an initial cost 50% higher, will produce six times as much revenue. Also, a boxcar is loaded only eighteen times a year, compared to the 105 times a truck trailer is loaded."

In addition, piggyback flatcars average 175 miles a day, against only 46 miles for the average freight car. On the New York Central, a boxcar is at work moving freight only about a sixth of the time that a piggyback flatcar is busy. The Central's 1,120 Flexi-vans—wheel-less van-size containers—are now in use on several steamship lines, as well as four other railroads.

But though piggyback has done a lot for the railroads, it is still unclear what, if anything, it has added to profits. A new DUN'S REVIEW survey of 30 of the nation's major rail lines shows that—whatever the gain in revenues—only a sixth of them find piggyback more profitable than other traffic.

Certainly, in spite of a total investment of $100 million in piggyback equipment, the railroads don't seem to be clearing as much as the truckers are. "The railroad companies are getting a lot of increase in their Plan II piggyback," admits a sales executive in a company which sells them millions of dollars' worth of specialized piggyback equipment. "But they can't match the truckers' record. The trucking companies, after all, have cut costs completely in half with piggyback."

Just in themselves, the heavy investments to get piggyback going cut into its profitability. "Only if we don't count the cost of equipment, terminal facilities, and increased tunnel clearances," says William E. Rachels, assistant vice-president of the Seaboard Air Line Railroad, "can we say that it's more profitable."

The Chesapeake and Ohio admits that its Plan II piggyback service (see box) has been costly. Most all railroads, in fact, name other equipment when they're listing the profit-producers. "Our high-grade traffic in boxcars and our specialized equipment produces the most important revenues," says President William H. Kendall of the Louisville and Nashville Railroad. "With piggyback, we've gotten traffic that was moving by other carriers—but it's not enough to make much of a showing in profits."

Yet one transportation expert who

How Piggyback Pays Off

Who gets the bacon from piggyback? Whether it's in the form of reduced costs or business diverted from competitors, the profit depends on which one of the five special "plans" is used. For one reason or another, only 58 of the 106 major railroads provide any piggyback service at all, and just two of them offer all five plans.

Under Plan I, the railroad carries the trailers of a for-hire trucker, who bills the shipper for door-to-door service at regular truck rates and pays the railroad a negotiated fee. The trucker can move outsize trailers across states that have lower-than-average limitations and, in addition, he saves labor costs of 10¢ a mile, fuel, state ton-mile taxes, licenses and tolls. So, even though they get long-haul freight business they'd otherwise miss out on, many railroaders consider Plan I "direct aid to the enemy" and charge it gives the truckers "absolute control of both markets and profits." Some 25 of them offer it nonetheless, and *Railway Age* figures that it produces 16% of all piggyback revenues.

Under Plan II, the railroads go into the long-haul trucking business and give shippers door-to-door service—with their own trailers—at rates close to the truckers'. Now offered by 51 roads, it is not as profitable to them as the other Plans, but it brings in business—and 55% of all piggyback revenue.

Under Plan III, a favorite of railroads, shippers, and freight forwarders, shipper-owned or leased trailers are piggybacked at a flat charge, whether they are loaded or empty. It's one way of circumventing the cumbersome rate classification system, and railroads like it because they get a 100% load factor. (Boxcars, in contrast, go empty 40% of the time they're on the rails.) Although it provides only 7% of total piggyback revenues today, Plan III is growing fast and 37 railroads now have it—though for-hire truckers, protesting to the ICC at this new competition, have gotten it suspended in some parts of the country.

Under Plan IV, which otherwise is much like Plan III, the shipper or forwarder provides the piggyback flatcar as well as the trailers. Some 9% of piggyback revenues come from this Plan, now available on 28 rail lines which save a big capital investment in equipment.

Under Plan V, the railroad and the for-hire trucker are partners and give joint service at joint rates. Unlike Plan I, it's not limited to points within the trucker's territory, and both can invade the territory of other carriers. Today, 24 railroads have Plan V and it brings in 13% of all piggyback revenues.

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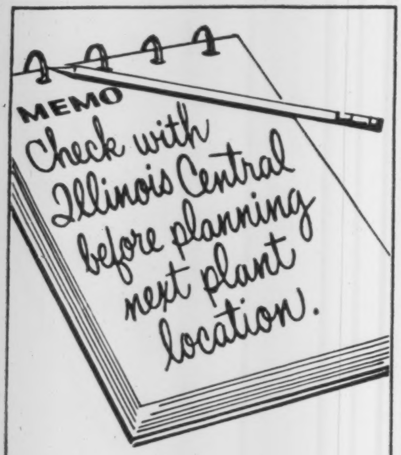
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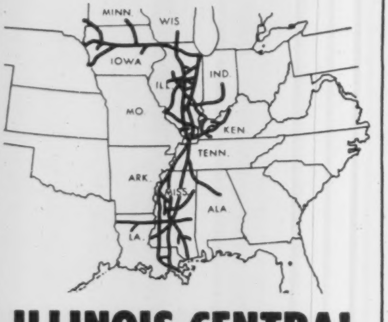

ILLINOIS CENTRAL
MAIN LINE OF MID-AMERICA

has dug into the data holds that the average piggyback car movement contributes much more than the average boxcar movement, both in total dollars and in the percentage return on investment. And the Teamsters' Hoffa insists that the railroads' net earnings from piggyback flatcars with auto-racks are about seven times more than the boxcars bring in.

Certainly the auto-rack has several advantages over the boxcar, in which the rails used to move the few cars left to them before piggyback. An auto-rack costs only $20,000, for one thing—just a half as much as the three boxcars needed to move the same number of autos. The rack also requires less maintenance, can be loaded in about a tenth of the time, and, since the unit's superstructure is removable, can be used as a flatcar, too.

The Eastern lines, which are in much tighter straits than the rest, now look to piggyback to help pull them through. Piggyback freight on the recently merged Erie-Lackawanna hit a new high of $10 million (up 43%) in 1960 in a year when the line as a whole lost $20 million. To Erie-Lackawanna's President Milton G. McInnes, it is, not surprisingly, "the brightest spot in the business."

Both the Pennsylvania Railroad and the New York Central say that their other freight just isn't as profitable. "On business that we've handled for years," explains Pennsy Vice-President James W. Oram, "it's very difficult to get rate increases. But since piggyback is new, we can tie it more closely to actual costs."

Piggyback contributed 2.7% to the road's total freight revenues last year. Oram looks for it to top 3% this year.

The New York Central thinks that its piggyback operations, which involve wheel-less truck-size containers, will rise even faster. Last year, they brought in 2.1% of total freight revenues, and the Central sees a figure between 3.5% and 4% for 1961, well above the 3% average anticipated by the 25 surveyed railroads. "In piggybacking," declares vice-president Arthur E. Baylis, "we've got a 'better mousetrap'. As the service grows, the business created will be primarily new business."

What's "Piggyback"?

Originally applied to the movement of truck trailers on railroad flatcars when it started back in the thirties, the term "piggyback," says the Association of American Railroads, now also encompasses truck-type wheelless vans as well. Auto-racks—technically not piggyback—are often referred to as such.

Yet even the lines that are making money from piggyback find some of the Plans (see page 62) much more profitable than others. On the average, they get only about twice as much for the complete door-to-door service under Plan II as they do just for providing the truckers with line-haul under Plan I.

But for Plan I line-haul, the truckers pay only about one-fourth of the total fee that they get for door-to-door service, and Plan I piggyback is the one the rail executives like least. "It places the railroads at the mercy of the trucker," says the Central's Baylis. "It's the easiest to start, of course, but it's the least value to us."

Out of the picture

"Under Plan I," Baylis points out, "the railroad merely performs a service for the trucker. It loses contact with customers at both ends."

The Central, incidentally, doesn't offer this plan. And the Pennsy, which piggybacked 36,836 trailers for common-carrier truckers under Plan I last year, recently increased its charges for the service.

To circumvent any more such moves, six major truckers this spring set up a new company, TOFC, Inc. This will provide piggyback service on the Erie-Lackawanna between Jersey City and Chicago. To button up the fifteen-year deal, the biggest of the six truckers, Spector Freight System Inc., some time earlier had acquired $1.2 million of the railroad's common stock, thus becoming one of its major stockholders. TOFC is also putting up some of the $1.8 million that Erie-Lackawanna is committed to spend on terminal facilities for piggyback service.

For truckers, there is a real advantage in Plan I. It costs about 35¢ to move a trailer over a mile of highway. When depreciation charges, terminal expenses, and overhead are deducted, the actual out-of-pocket costs for the move come to about 25¢. The charge for piggybacking a trailer un-

A PIGGYBACK PIONEER, Rail Trailer's Ryan leases trailers to shippers.

der Plan I, on the other hand, varies from about 18¢ to 20¢ a mile.

So why don't more truckers jump on the piggyback train? A trucking company president indicates the reason in a simple question. "What happens to me," he asks, "if I let all my drivers go and I'm left at the mercy of the railroad?"

This suspicion is probably one of the biggest roadblocks that stops the truckers from making much greater use of Plan I. More immediate, however, are the effects of the Teamsters' drive to derail piggyback. At present, their labor contracts bar all the major common-carrier truckers from using piggyback for anything but overflow traffic. If a trailer is piggybacked while a driver is idle, he gets full pay.

Though many truckers consequently approach Plan I gingerly, others use it whenever possible. They are all, however, united in their opposition to Plan III. "The railroads claim they're using piggyback to get back business that shippers now haul in their own truck fleets," says Fred Thompson, vice-president of the Western Express Co., Cleveland. "But they're really just adding steam to private carriage, since under Plan III, shippers' trailers move cut-rate."

Still, the truckers are saving their most insistent opposition for Plan II, which puts the railroads into closer competition with them than ever before. "We're not opposed to piggyback itself," says Welby M. Frantz, executive vice-president of giant Eastern Express, Inc., Terre Haute, Ind. "But we're deeply disturbed by the way it's putting the railroads into the long-haul trucking business."

The truckers have other beefs as well. As it has for decades, most

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freight moves across the nation from East to West. Many piggybacked trailers are now ending up on the West Coast with no return load. As a result, "gypsy piggybacking"—an illegal operation—has recently blossomed, and spurious organizations, posing as legal non-profit shippers' associations, are taking business away from the for-hire truckers by auctioning off Eastbound shipments to the highest bidder, regardless of the Government-prescribed rate structure.

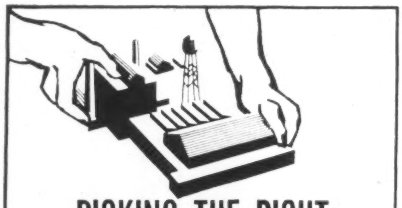
Express to profits

The truckers and railroads may gripe about piggyback, even while they're sinking money into it, but there's one group that sees it only as a clear track to fresh savings. That is the nation's shippers. Their customers, more inventory-conscious than at any time since the war, are clamoring for faster, more frequent deliveries, so it's not surprising that shippers use piggybacked trailers, which roll coast to coast in as little as 84 hours, compared to the ten-day boxcar run.

Piggyback's efficiency shows up right from the start of the operation. The train of flatcars is already waiting for the trailer, which is swung aboard in a minute or two. In the Pennsy's Kearney, N.J., yards, the average piggyback train is ready to go about three hours after the first loaded trailer arrives.

And during the long-haul, a piggyback shipment doesn't get snarled in intermediate switching yards. A boxcar going from New York to San Francisco, for instance, may spend two days just getting through the Chicago switching yards. In contrast, a piggybacked trailer that needs switching gets through in only two hours, since trucks are used to move the trailers between flatcars. The New York Central is just one of several lines that's keeping out of the yards by running shorter and faster all-piggyback trains that need not be broken up till the trailers reach their common destination. "But when it gets down to a train of twenty trailers," notes Frank M. Macomber, of the Chicago rail consultant firm, A. T. Kearney & Co., "the cost is about the same as over-the-highway."

There's another time-saver in piggyback, too. Trailers need less bracing than boxcars to prevent damage, and it takes about 20% less time to load each ton. The trailer tires, cushioned underframes, and tie-down



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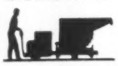

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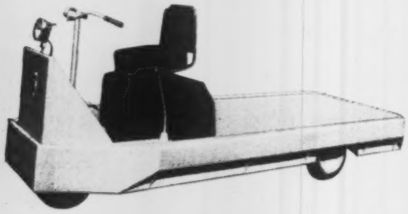
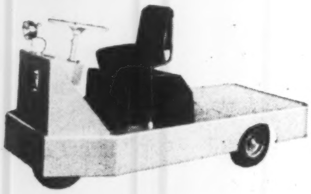
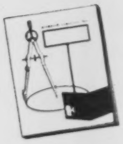






FREE: Ask your secretary to drop us a note requesting, "The high cost of shoe leather." This booklet outlines the utility and savings of Speed Trucks in detail.

KALAMAZOO
MANUFACTURING COMPANY
1827 Reed St. Kalamazoo, Mich., U.S.A.

EVEN THE SHORT 24-trailer trains pay off, says Kearney's Macomber.

hitches absorb most of the shocks that piggybacked loads sustain from sudden stops or starts. Damage to shipments, in fact, is running under a tenth the damage rate that boxcar shipments rack up. Almost all of the $120 million that the rail lines paid out in damage claims last year went for goods that had been shipped in boxcars.

Still, the shipper who uses Plan I or II usually has to settle for these benefits alone. Only rarely can he chop his actual freight bill.

The shippers who are really slicing the bacon thick with piggyback are the ones who have their own—or leased—trailers. Then, with Plan III or IV, they get not only faster deliveries, dwindling damage, and lower inventories, but lower freight charges as well. American Cyanamid Co., for instance, is knocking about $5 a ton off the shipping costs it had when it trucked loads from New York to Chicago.

Since a trailer goes in Plan III or IV for a flat charge—$952 for two, for instance, from Chicago to the West Coast—the savings can be substantial on a high-rated commodity. The railroads, however, charge for returning empty trailers. Only shippers with return loads for their trailers get all the advantages.

Those who don't have return loads —including some who don't own trailers—are turning to one-way trailer leasing.

Still, there are tight rules under Plans III and IV. The shipper learns that he can ship only two commodities in the two-trailer load that goes on one flatcar—and neither one can take up more than 60% of the total weight of the entire shipment.

So if a shipper has only one prod-

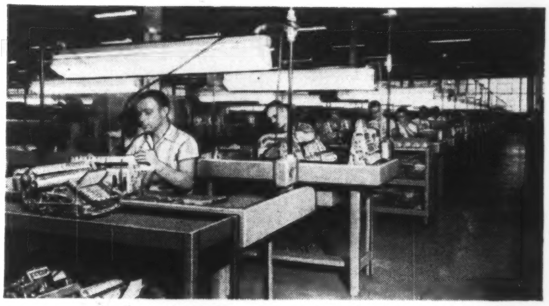
MONROE
ACCOUNTING MACHINES

Monroe Calculating Machine plant at Bristol, Virginia, covers 200,000 square feet, employs 1,400 people, uses about 430,000 kilowatt hours of electricity per month. Monroe's room-to-grow site includes 33 acres.

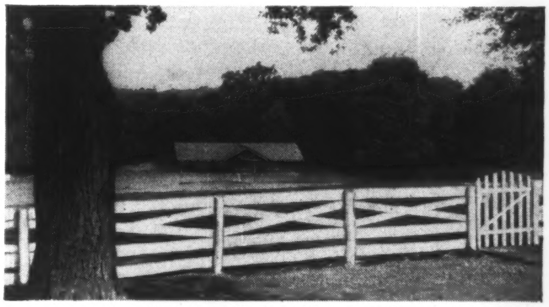
Employees Are Young, Learn Quickly, Turnover is Under 1%

Says Monroe Calculating Machine Co. of its plant

in VIRGINIA



Easily trained through use of on-the-job apprentice system, Monroe's Virginia employees are highly productive. Nearby Washington County Technical School is excellent source for young technical workers.



Monroe's 5-Acre Park, with swimming pool for employees, is also made available to churches or civic groups for special occasions. Employees enjoy recreation. Monroe is known as good neighbor to the community.

When Monroe Calculating Machine Company, Division of Litton Industries, chose Bristol, Virginia, for its new plant, eyebrows were raised at the thought of unskilled labor producing complex business machines. But from the very start, manpower has been one of the plant's greatest assets. These young, vigorous Virginians learn quickly, via on-the-job training, and efficiently operate screw machines, drill presses, milling machines, cutting machines and machine tools of all kinds.

Monroe's Virginia employees are conscientious, dependable and happy with their work, as indicated by a turnover of less than 1%. These men and women average 28 to 35 years of age, live within a 15 to 20 mile radius of the plant. Absenteeism is low. Employees take pride in their work.

Is Monroe satisfied with its Virginia location? Best proof is that five years after opening the plant, they nearly doubled its size. Employment and production have tripled. And instead of just one product, the Virginia plant now manufactures a wide variety of calculators, adding and accounting machines, and data processing equipment.

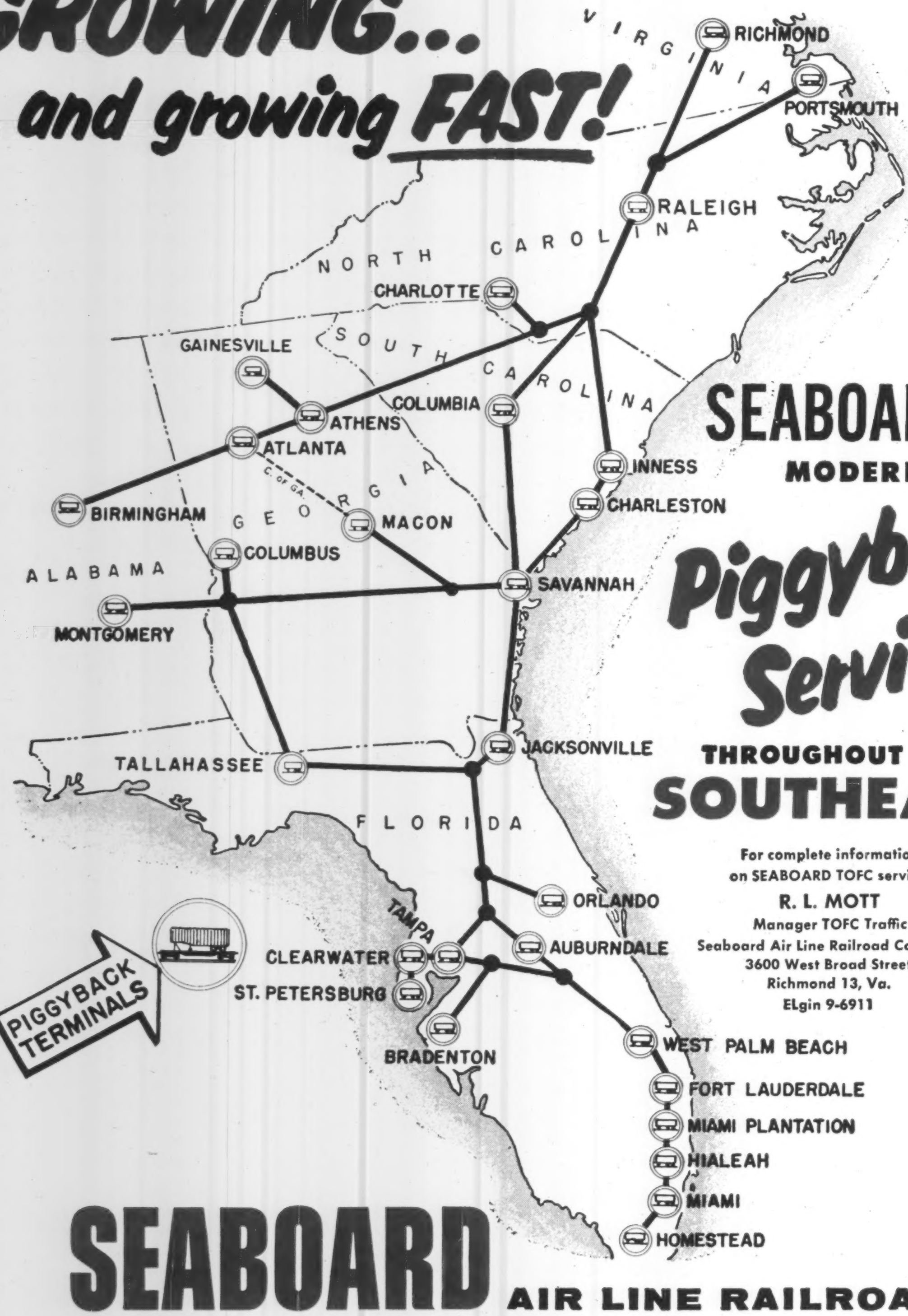
Let us tell you more about the high productivity, the dependability of people in Virginia . . . and about the many other advantages offered by this state. In confidence, phone, wire or write . . .

C. M. NICHOLSON, JR., Commissioner
Division of Industrial Development and Planning
Virginia Dept. of Conservation
and Economic Development
Room 803-DR, State Office Bldg., Richmond 19, Va.
Phone: MIlton 4-4111, Ext. 2255

You, too, can find these... and many other great competitive advantages in

VIRGINIA
. . . a wonderful place to play or work

GROWING... and growing FAST!


VIRGINIA
RICHMOND
PORTSMOUTH
RALEIGH
NORTH CAROLINA
CHARLOTTE
SOUTH CAROLINA
GAINESVILLE
COLUMBIA
ATHENS
ATLANTA
INNESS
CHARLESTON
C. OF GA.
GEORGIA
BIRMINGHAM
MACON
COLUMBUS
ALABAMA
SAVANNAH
MONTGOMERY
JACKSONVILLE
TALLAHASSEE
FLORIDA
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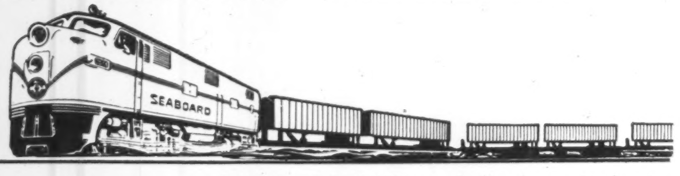
SEABOARD AIR LINE RAILROAD

THE ROUTE OF
COURTEOUS SERVICE

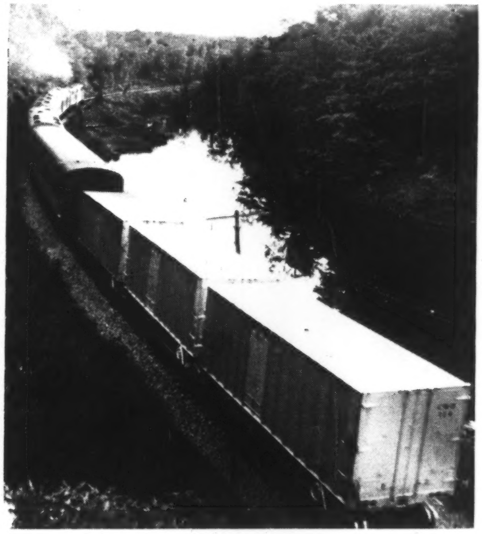


uct, or too small a volume moving to the same point at the same time, he can't jump on this wagon. "What happens to the shipper who has a plant that makes a single product?" asks the transportation director of one of the biggest chemical companies. "If he wants to piggyback he must join a shippers' association."

The shippers' associations and the freight forwarders are, in fact, the ones who get the most from Plans III and IV, both in direct cost reduction and better service. They can assemble shipments of various kinds from many shippers and combine them to meet the commodity limitations. Freight forwarders are in a particularly enviable spot. They charge their customers truck-competitive rates according to the commodity moved. Then, regardless of what it is, all they plunk down with the railroad is a flat, low fee.

A real profit-producer for President Morris Forgash of United States Freight Co., the nation's largest freight forwarder, piggyback now accounts for 20% of the company's forwarding revenues. And when highballing, roller-bearing piggyback trains come along, Forgash says he'll be giving 48-hour coast-to-coast service—and challenging the airlines.

To Forgash—and many another forwarder, shipper, trucker, and railroad man—piggybacking has become a favorite pastime. Looking at the costs it saves, and the future it promises, it's not hard to see why.



RAILVANS go by highway or track, bringing new business to the C&O.

The Shortest Distance Is OVERHEAD

With Shepard Niles JOB-MATED Cranes

Traveling cranes deliver the goods **directly,** from point to point within your plant or warehouse, or even from one building to another.

They move masses of material faster, more efficiently—speed up production—because they travel **over** obstacles, not **around** them. And they leave passageways, work areas, and grounds free of moving equipment, with greater safety for your employees and materials.

Best of all, traveling cranes allow you to increase your useable storage capacity by eliminating aisles, and enabling you to store material up to the beams.

Shepard Niles JOB-MATED Cranes with auxiliary hoists are not merely handling devices, but versatile, highly engineered machine tools that contribute directly to increased production and profits. You'll find them ideally suited for your production and storage requirements. Write for complete details on how Shepard Niles JOB-MATED Cranes will improve your profit picture.

Member of Electric Overhead Crane Institute
America's Most Complete Line of Cranes and Hoists

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2962 Schuyler Ave., Montour Falls, N.Y.

Push-button yards

...another *good* reason for shipping Rock Island

With freight trains highballing at near maximum speeds for existing equipment, reductions in shipping time must come from something other than increased train speed. The Rock Island has found one answer in automation... push-button yards that have drastically cut average classification time for freight movements. This achievement of modern electronics and communications advances your freight hundreds of miles, means faster deliveries, less damage, and better car location service.

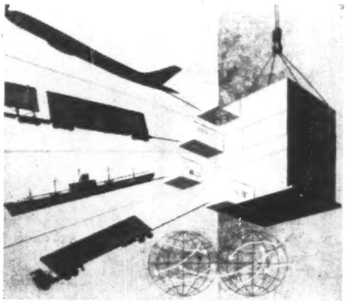
Push-button yards are but one reason why the Rock Island is known as the railroad of planned progress. In addition, split-second communications; better, faster piggyback service with ramps that blanket the system; strategically located direct interchanges; experienced, conscientious personnel; and modern, trouble-free equipment all add up to fast, efficient shipping.

Your Rock Island representative will be glad to help you put this effective combination to work for you. Call him.

ROCK ISLAND LINES
The railroad of planned progress
...geared to the nation's future
Chicago 5

III

TRUCKING



Truckers who once built their businesses on freight taken from the railroads now find their own revenues being eroded by a sinister and elusive enemy—the cut-rate "gray market" operator, adept at dodging ICC regulation.

The High Road and the Low

RISS
SHARKIE'S

EVERY FOURTH TRUCK rolling along the nation's highways today is breaking the law. That, at any rate, is the conclusion of state highway officials after a recent week-long roadblock check in nearly a score of states. In some states, two out of every three trucks checked had been paying about as much attention to the statute books as they would to a beatnik hitchhiker.

These shady truckers, who thrive on business stolen from the regulated, for-hire carriers, aren't simply violating speed or truck-weight regulations. Their specialty is evasion of the Interstate Commerce Act ban on phony truck leasing arrangements and bogus buy-and-sell deals. And most of the time they get away with it.

Bona fide truckers who see their business being snatched away are understandably bitter. "The term 'gray area,' " declares Welby M. Frantz, executive vice-president of Eastern Express, Inc., "is just a polite term for bootlegging."

Incensed by the Interstate Commerce Commission's failure to crack down effectively on the "gray market" truckers, some trucking groups do not hesitate to accuse the ICC of a deliberate hands-off policy. Listen to John A. Hobson, president of the Mobile Housing Carriers Conference: "More than 90% of the makers of mobile homes are transporting their product illegally—but our complaints to the Commission haven't yet resulted in a single prosecution."

The ICC denies that last charge. "We're determined to do all we can," insists Commissioner Charles A. Webb, "to stamp out every form of black market operation in every mode of surface transportation. But the Commission doesn't have the money or the manpower to make illegal transportation as rare as counterfeiting or as illegal as bootlegging."

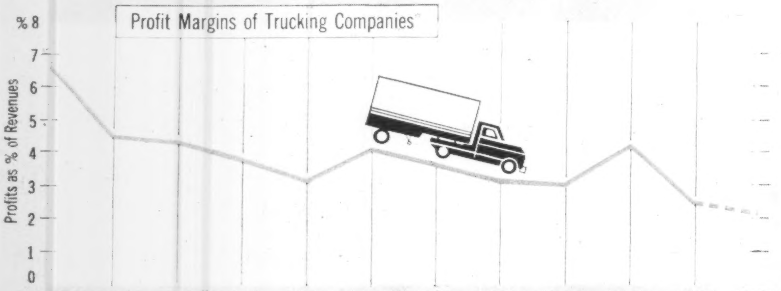
Illegal freight transport isn't confined to the phony truckers. A lot of it is riding along, like a tramp in a boxcar, in the vans of legitimate truckers who are supposed to be hauling other goods.

Barred from hauling any traffic but agricultural products, but free to charge whatever that particular traffic will bear, many exempt for-hire truckers are handling anything and everything from axes to zippers. Other operators will "buy" a load of goods from a shipper and "sell" it to the consignee at the other end. Actually, of course, what they're doing is transporting cargo at illegal rates. Some manufacturers' truck fleets, which are also permitted to compete for agricultural products, are going beyond these and competing for general commodities at cut rates. The gypsies of the highway—the have-truck-will-travel boys who never bother to register at all with the ICC—were never busier than they are today. And competition is pushing even some regulated for-hire truckers into handling freight at illegal rates. The battle for the transportation dollar is becoming a free-for-all in the "gray area" where the rules are hard to enforce.

Lately, management in the severely regulated railroads and trucking companies has waked up with a bang to what is happening. "Today in the transportation industry," says Benjamin F. Biaggini, vice-president of the Southern Pacific Railroad, "the central issue is no longer truck vs. rail, or rail vs. water, or truck vs. water. It is regulated carriage vs. unregulated carriage, which has grown in the span of just a few years from an innocent-looking infant into a monster." During the past decade, the Southern Pacific and its connecting carriers lost $29 million in revenues to unregulated truckers on perishables alone.

Ruts in the Road

With labor costs high-balling ahead and revenues in a stall, the truckers currently must keep their fleets rolling on the thinnest profit margins in years.



*As a percentage of total revenues before Federal income taxes

IN GOD WE TRUST

OF EVERY HUNDRED **trucks checked in highway roadblocks, an average of 25 are breaking the law, stealing business from regulated for-hire truckers.**

Tough competition from operators in the gray area has hit the regulated for-hire truckers even harder. Testifying this spring before a Senate committee, James F. Fort, counsel for the American Trucking Associations, Inc., declared that illegal trucking operators are actually driving the regulated truckers to bankruptcy. The ATA reports that about one-third of all Class I and II common carrier truckers failed to show any profit in 1960.

During the past few years the regulated for-hire truckers, almost all of whom employ union drivers, have seen their labor costs soar. With each increase in union wages, the unorganized owner-driver with modern equipment gains strength. Without the route and rate restrictions of the regulated trucker, he can under-cut the regulated trucker. This is especially true in bidding for exempt commodities—and even for non-exempt freight, if the shipper isn't too fastidious about ICC rules and regulations.

Both the ICC and the transportation industry use the term "gray area" to cover all the activities, both unlawful and questionable, that are used to evade regulation. Actually, in the Commission's view, there should be no intermediate area between lawful transportation (regulated or unregulated) and unlawful transportation.

If all the facts about an operation were known, the Commission points out, it should fall into one category or the other. However, legality of many borderline activities is difficult to pin-

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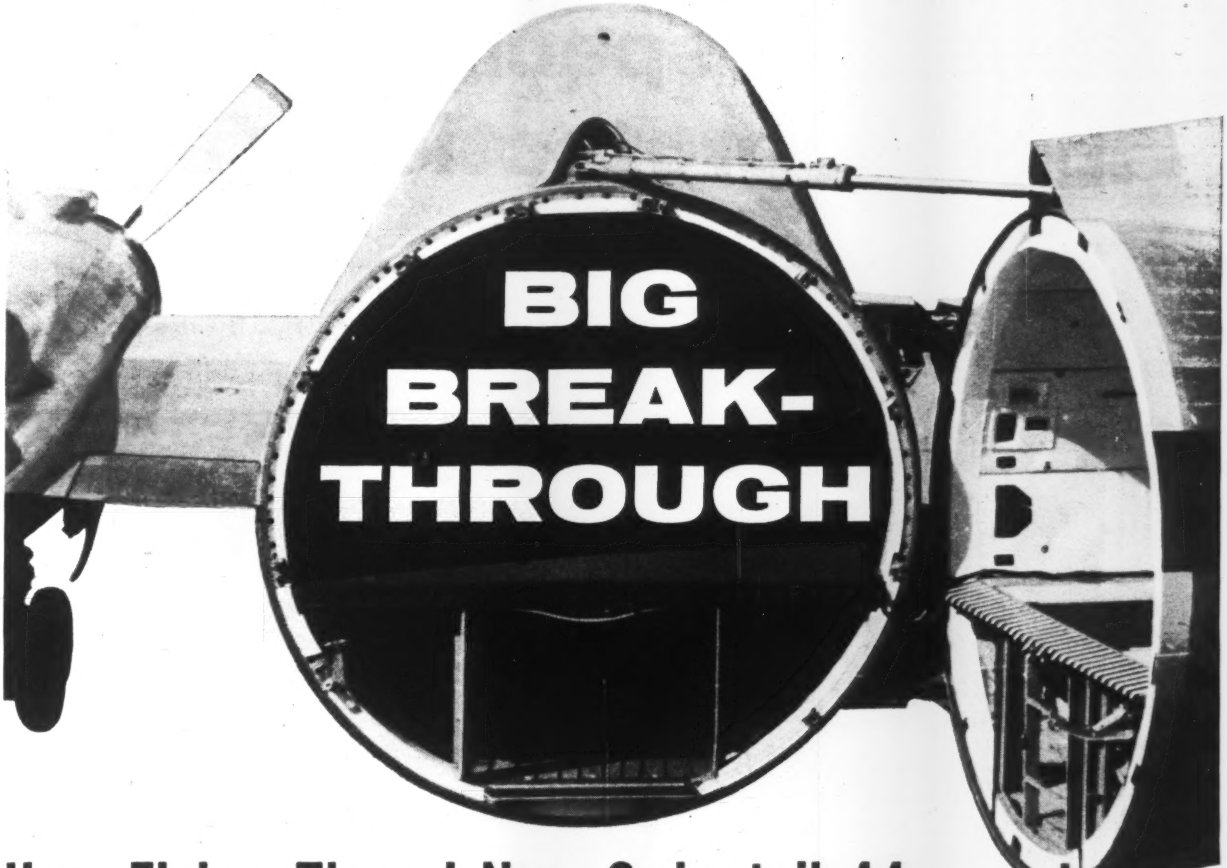


How Flying Tigers' New Swingtail-44 can deliver the lowest rates in airfreight history

FASTEST HANDLING ON THE GROUND

New swingtail design cuts hours off old-fashioned forklift loading and unloading. The tail assembly of the giant Canadair Turbo-Prop Jet jack-knifes open ... the big plane backs up to a loading dock ... special conveyors whisk your cargo in and out in less time than it takes to refuel! Less time on the ground means less costs to us, more savings to you.

GREATEST CAPACITY

The world's first real airfreighter carries a carload more than any other cargo plane! One Swingtail-44 carries 65,000 pounds—44% more than any other commercial airfreighter. Ten of these new Flying Tiger planes can actually fly more ton miles in one year than all U.S. airlines flew domestically in 1960! More capacity means less cost per ton mile, more savings to you.

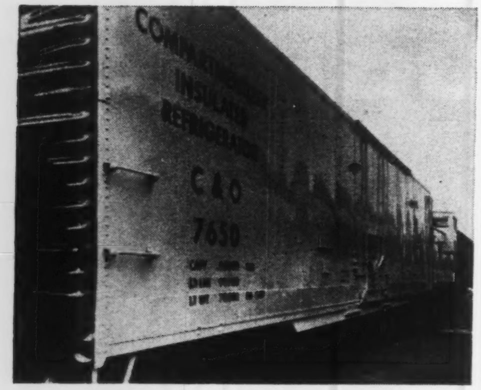
The day of the Big Breakthrough is almost here. But the era of the Airfreight Specialist—Flying Tigers—is already here. Freight-only overnight service, door-to-door deliveries, nationwide teletype tracking system: these services from the world's oldest all-cargo airline make it best for your business.

THE ONLY TRANSCONTINENTAL AIRLINE SPECIALIZING IN AIRFREIGHT
...SOON WITH CANADAIR SWINGTAIL-44 TURBO-PROP JETS

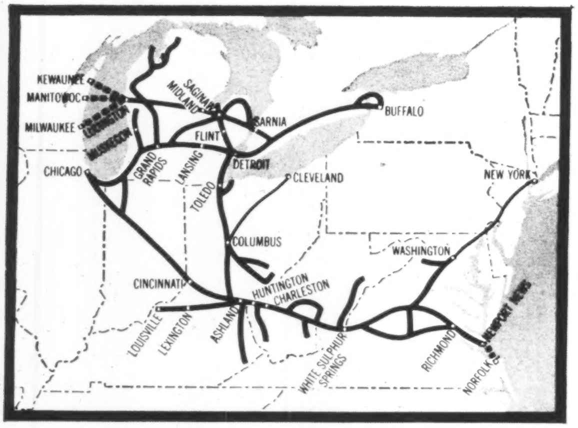
TIGERS
FLYING TIGER LINE

FLYING TIGER LINE

Chessie's special-purpose better protection, faster


COMPARTMENTIZER
INSULATED
REFRIGERATION
C & O
7650

Chessie's wide range of special-purpose cars includes insulated Compartmentizers (above), Damage-Free cars and Quick-Loaders, covered hoppers and hooded gondolas.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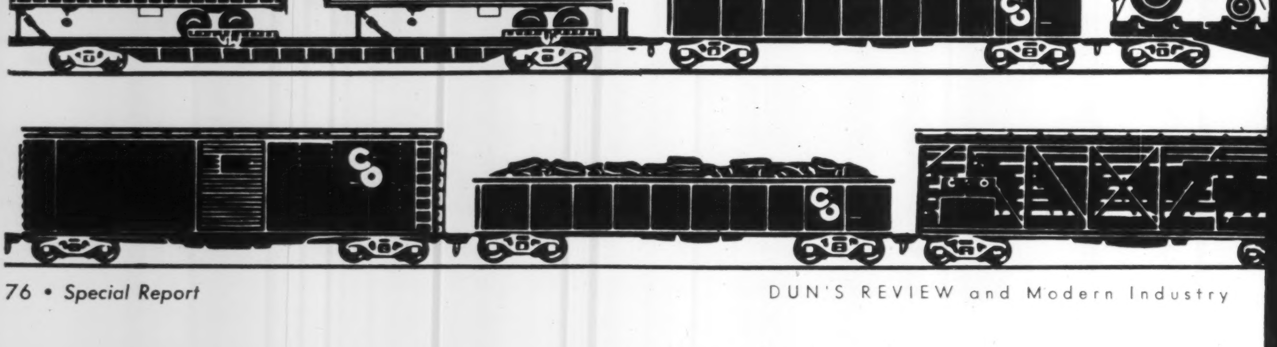
Chessie's 5,100-mile network serves the industrial corridor of America . . . offers nation-wide service through direct connection with other leading railroads.

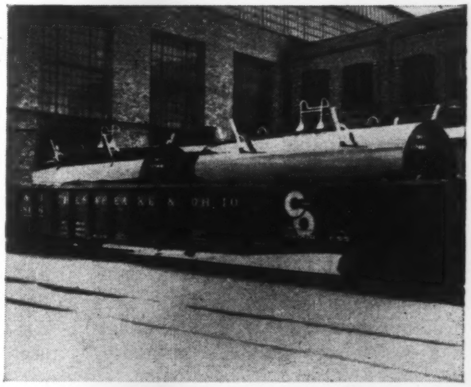


cars give you handling, bigger loads!

Development pioneer and owner of one of the largest fleets of specialized equipment, Chesapeake and Ohio Railway continues its acquisition of special cars for the special needs of its customers. Today, one out of every five of Chessie's nearly 40,000 modern merchandise freight cars is especially designed or equipped. They include a wide variety of tailored-to-use boxcars, gondolas, hoppers and flat cars...all offering important transportation savings.

When your raw materials, components or commodities find application in C&O special-purpose cars, you can benefit from easier, faster loading and unloading...better protection...more compact shipments...reduced dunnage ...greater capacity loads. And, in *any* car on The Chessie Route, your shipment is under the constant surveillance of CLIC, Car Location Information Center. This miraculous combination of electronic tape, teletype and alert people furnishes a dependable up-to-the-minute report on your car.

Your resourceful C&O representative will welcome an opportunity to prove the advantages of shipping via The Chessie Route.

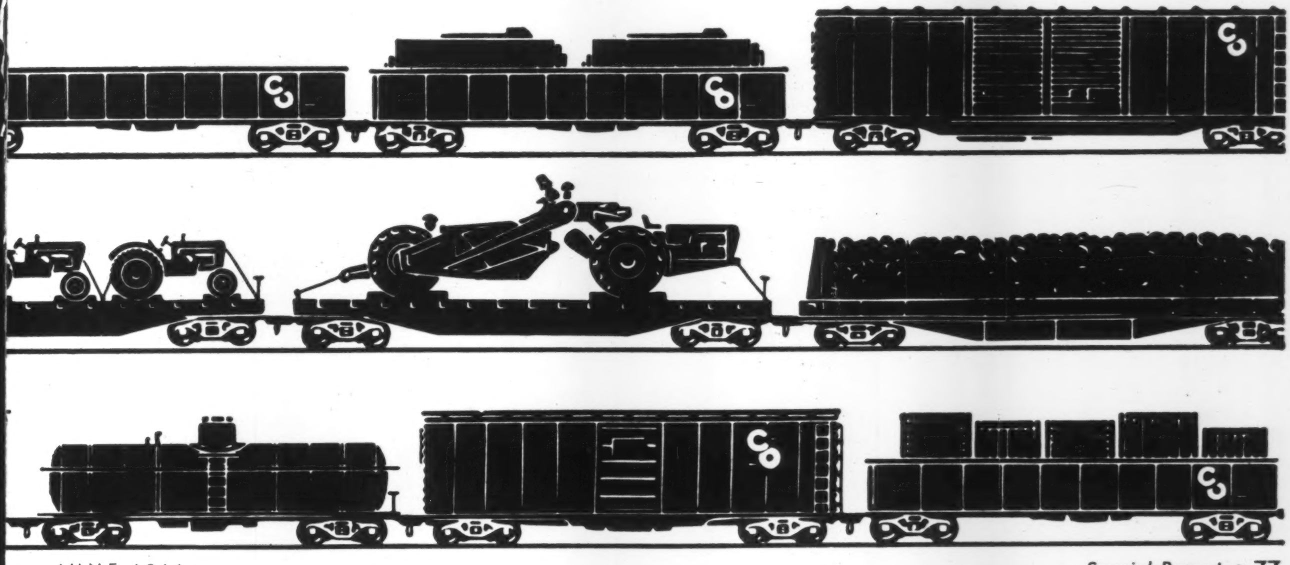


This hooded gondola protects coiled steel from weather; is fitted with special cradle structure which eliminates need for dunnage, facilitates loading and unloading.

Chesapeake and Ohio Railway

TERMINAL TOWER, CLEVELAND 1, OHIO

Outstandability in Transportation



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point, and in many cases it hasn't yet been resolved in the courts. For instance, the leasing of trucks—the most common and complicated activity in the gray area—is so new that it is scarcely covered in the Interstate Commerce Act and is still being debated both in hearings and in the courts.

Is it proper, for instance, to rent out a driver as well as a truck? Are the truckers who buy and sell cargoes breaking the law? The legality of these and other gray-area activities rests with the ICC, and its interpretations are frequently appealed to the courts.

In addition to the gray area of shady and questionable operations, there is, of course, what ICC Commissioner Webb calls the "black area" of clearly definable violations of the law. "Many carriers of exempt agricultural commodities," says Webb, "handle non-exempt products with no pretense of legality. Many intrastate and local truckers disregard State and zone boundaries. There are private carriers who don't even attempt to camouflage illegal return movements. And finally, there are regulated for-hire truckers whose operations, territorially and commodity-wise, are as black as the ace of spades. But the black area of transportation operations is much easier to cope with than the gray."

Rising costs of operating company truck fleets are pushing many companies over the edge into the gray area, as they try to eliminate empty back-hauls. Companies that operate their own trucks are barred by the ICC, of course, from a number of activities. They are forbidden to rent a truck to another shipper or to a common carrier for the back-haul. And they may not enter an agreement to own or lease equipment jointly with another shipper who has shipments moving in the opposite direction.

So, to develop loads for the back-haul, more and more companies are turning when possible to suppliers located near their major customers. As ICC Chairman Everett Hutchinson points out, "When a private carrier is unable to utilize his equipment fully by transporting raw materials or supplies on the return haul, he is often compelled to resort to some form of questionable for-hire operation to bring his transportation costs below the rates charged by regular for-hire carriage."

In many manufacturing companies today, the top brass are undoubtedly unaware that their subordinates are violating the law by their activities in or on the fringes of the gray area. But apparently some manufacturers are becoming edgy about the legality of their truck fleet operations.

"Never before have we been flooded with as many requests for information on how to stay legal as during the past few months," declares Vincent O'Donnell, managing director of the

continued on page 87

HARD-HIT **by the reduced rates that railroads have put through for carrying new cars, haulaway truckers are being pushed close to the brink of bankruptcy.**

Hasenpfeffer on the Highways

In the past year or two, the "gray area" in trucking operations, which includes questionable as well as downright illegal operations, has been spreading at an alarming rate. Maj. Gen. (Ret.) John P. Doyle, staff director of the Senate Commerce Committee's Transportation Study Group, pinpointed the reasons in a recently released 732-page study that is sure to help shape legislation on Capitol Hill this year. Here are some excerpts from a recent statement by Gen. Doyle on the "gray area" problem:

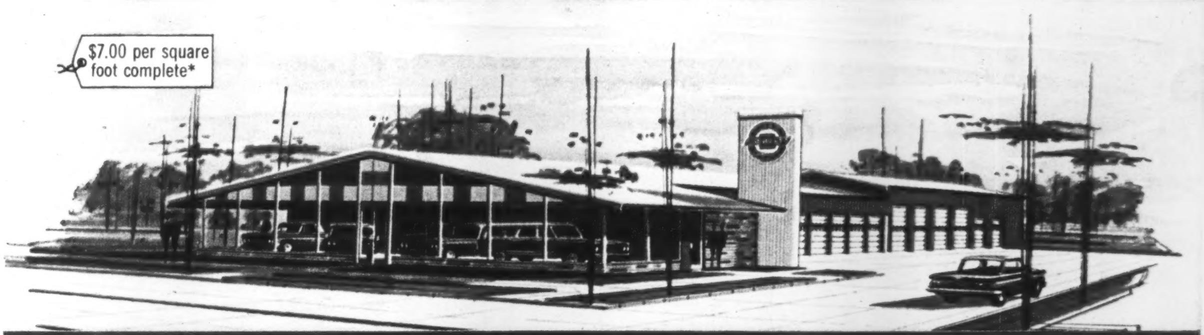
"In the first place, while what we call 'illegal transportation' may violate a law or regulation, it isn't considered by the general public or by many of our legislators as a crime involving turpitude. To them, it is like the prohibition law or some of our well-known blue laws. Many otherwise-honest shippers are perfectly willing to wink an eye or even seek out the illegal carrier.

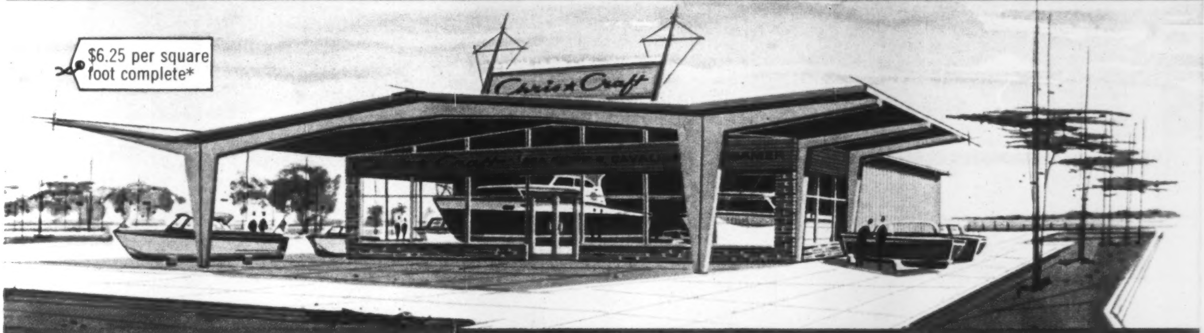
"Second in importance is the double-barrelled problem of inadequate enforcement and inadequate penalties. If we are going to make hasenpfeffer, we must first catch a rabbit, and if we're going to put even a dent in illegal transportation, we have to catch enough violators to make them all think twice before they flout the law.

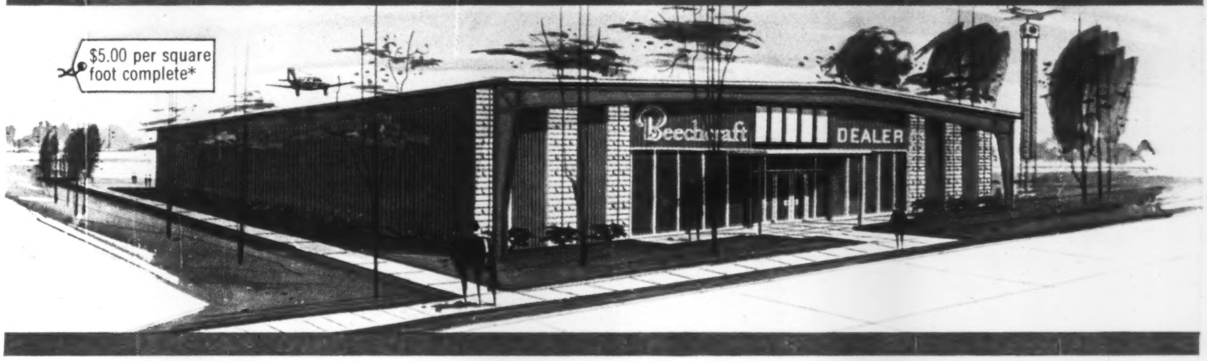
"Penalties that are little more than a slap on the wrist will never work so long as the violator shows an over-all profit and feels no shame. Nominal fines are considered a normal business expense, except for tax purposes. In addition to sharply graduated fines for repeated violations, there should be jail sentences for those responsible in management. Suspension and revocation of interstate operating authority are probably the most potent tools we could use.

"The third problem concerns the inconvenience in using regulated for-hire truckers. Many shippers have complained to us that these carriers are limited to specific commodities, routes, and so on. Unless we enable legal carriers to furnish high-quality transportation, under the most convenient conditions, we can't expect to put an end to illegal operations.

"Finally, illegality thrives on ignorance and concealment of the facts. For one reason or another, the projected U.S. census of transportation has never been taken. We need to know what moves where, when, and how."







**Approximate figures, depending on site conditions and local costs*

SMART MOVE FOR A BUSINESS IN MOTION

Expansion-minded businessmen everywhere are turning to smartly styled, pre-engineered Stran-Steel buildings—and no wonder! These quality-built modulars fit any site, suit any function and keep costs in line, too. Their colorful exteriors—peelproof, protective Stran-Satin coatings—really last, and make these pace-setting buildings welcome neighbors in any community. Inside, roomy work and sales areas lend themselves to quick, economical expansion or conversion. And Stran-Steel structures go up in a fraction of the usual time, cost as little as $5 per square foot, complete from slab up! Your dealer makes it extra easy to plan, put up and pay for them, too, thanks to his Stran-Steel "package deal"—which even includes one-stop financing. Call him today. He's listed in the Yellow Pages under Steel Buildings or Buildings, Steel. Or mail the handy coupon.

STRAN-STEEL

Buildings for Modern Business

CLIP COUPON AND MAIL TO STRAN-STEEL CORPORATION, DEPT. DR-10, DETROIT 29, MICHIGAN

Stran Steel

Please send complete literature on Stran-Steel Buildings in Stran-Satin Color. I'm interested in a building approximately ________ ft. by ________ ft. to be used for ____________

Name ________________ *Title* ________

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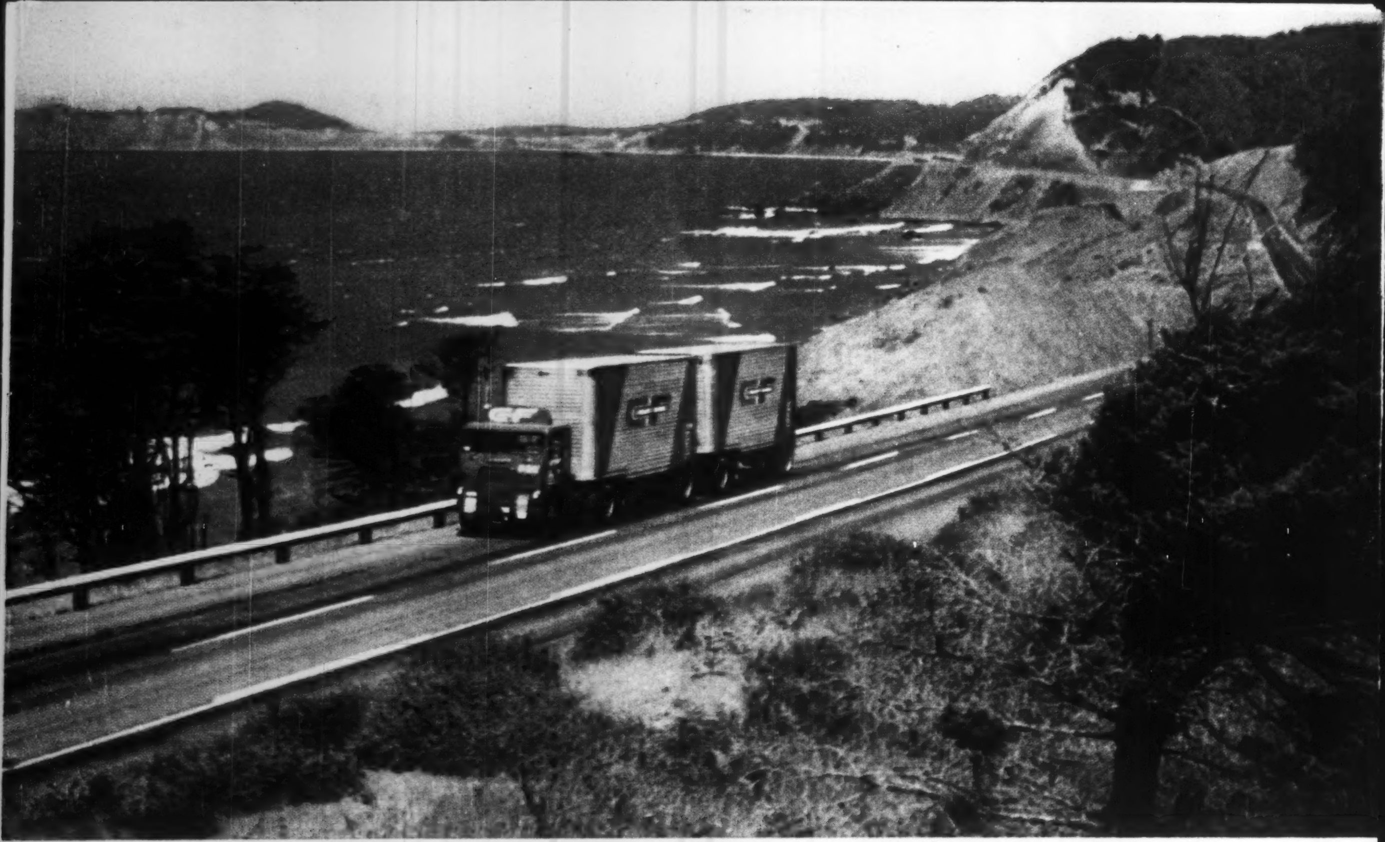

From Portland to San Francisco is a tough run for trailer trucks. On this route of twisting coastline, mountain grades and city traffic, fast-growing Consolidated Freightways, Inc., uses Clark-built BROWN trailers. The BROWN units have "Cushionair" suspension to eliminate dangerous cargo shifting, stop breakage of fragile cargo. And this versatile, highly mobile equipment increases legal payloads 500 lb. or more on every trip.

Mobility:

Clark's New Concept for Cutting Distribution Costs

In the drive for greater direct labor efficiency, control of indirect costs has tended to lag behind. Material handling specialist, Clark Equipment Company, attacks indirect expenses through the theory of Mobility.

At a newly-completed California electronics plant, five trucks are pulled up at the shipping room door. The drivers are pitching pennies on the dock, waiting for their loads. It is 3:45 P.M. on a Tuesday afternoon, but it could be nearly any afternoon for it happens day after day. For although more than $1,000,000 in additional capital investment went into automation for machine tools, once the product is off the assembly line, there is no continuous method of materials handling to keep the output constantly moving to the customer. This is a typical case of shipping-room bottleneck.

At a southern gravel pit the Company's crawler-loader clanks along at 3 mph to a distant stockpile where half a dozen trucks wait for a load of special material. Every 4,000 ft. trip takes 15 minutes. Yet time and motion study have cut the mining and screening costs to the bone.

In both cases, the breakdown in efficiency comes when the distribution process starts. Direct labor savings are offset by the hidden indirect costs of interrupted or delayed materials handling.

In Southern Michigan, a vigorous manufacturer of machinery for nearly all kinds of materials handling, the Clark Equipment Company, is building its business on a concept that strikes at these distribution cost leaks. That concept is Mobility.

Mobility, to Clark, means the rapid, easy, efficient, continuous movement of materials, products and people to another stage of usefulness.

Mobility is the antithesis of waiting and waste. It means timing—timing of products and people so there is no loss of momentum between the stages of distribution. It means using space more efficiently—more goods in less area; using cubic area rather than square area.

Mobility, says Clark, is the bridge between creation and utilization.

An efficient "Carbon Pile" Clark electric fork lift truck keeps this Johnson Wax production line on schedule. Here, the Clark truck delivers cases of cartons and removes cases of filled bottles and cans from the end of the line. At other manufacturing stages, the lift truck stacks cases in the warehouse, moves them into trucks and railway cars. The filling machinery is said to be the fastest of its kind in the world, therefore, needs fast, mobile materials handling equipment.

At a Southern gravel pit, a Clark-MICHIGAN tractor shovel fills a 14-ton dump truck in two bucket-fulls. Time elapsed from first bucket bite to heaped load: 90 seconds! The Clark-built Michigan tractor shovel has $1\frac{1}{2}$ times the capacity of the next largest tractor shovel available, so one machine and one operator do the work of two or more smaller ones, saving every day on labor and maintenance costs, cutting original investment.

It can be translated into hard business economics by turning back to the two case histories referred to at the start.

Clark provided three more modern fork-lift trucks, two with special handling attachments to be assigned exclusively to the shipping room of the electronics manufacturer. Scheduled loading throughout the day eliminated both daily and month-end shipping peaks and balanced the workload. Two shipping room employees who had been idle part of the day but often worked overtime to complete shipments, were freed for work in other departments.

In the gravel pit, a new Clark-built Michigan tractor shovel, mounted on rubber tires, now makes the trip to the stockpile that used to take 15 minutes in just 2 minutes. That adds up to seven or eight additional truck loads a day with no change in mining or processing procedures. In dollars, it means $200 a day in additional income.

For modern, mobile handling of all kinds of materials, in plants and between plants, in warehouses and mines, in construction industry and building trades, Clark Equipment builds a tremendous range of machines . . . fork-lift trucks, powered hand trucks, towing tractors and straddle carriers . . . tractor shovels, dozers, scrapers, and loggers . . . truck trailers and truck bodies . . . over 300 models and sizes.

All are capable of Moving Mountains of your product. Refer your materials handling problems to Clark Equipment Company, Buchanan, Michigan.

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CHEVROLET
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FRONT
INDEPENDENT
SUSPENSION

Fleetside Pickup above Corvair 95 Rampside

Medium-Duty with Dump Body

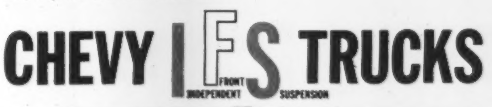
Medium-Duty Stake

THEY GET JOBS DONE FASTER

(BUT TAKE THEIR TIME GROWING OLD)

Watch a Chevy working on any heavy construction project. Talk to the Texas contractor whose Chevy walks over sandy terrain where other trucks spin their wheels. Or the California petroleum gas hauler who's upped his daily delivery by 1,200 gallons with a middleweight Chevy on the pulling end.

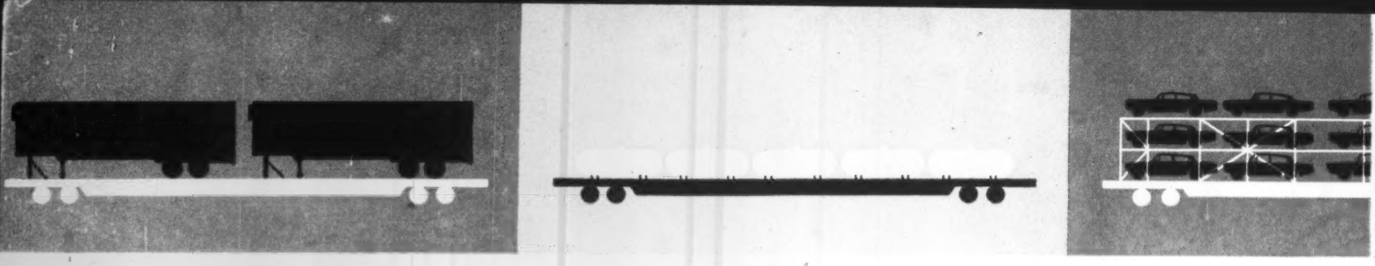
All over the country and in every weight class truck owners are putting their faith in I.F.S.—*Independent Front Suspension.* They've seen it's the big reason a Chevrolet truck can move faster over truck-killing terrain to get more done in a day. ("I used to take some rough roads at from 5 to 8 miles an hour," the driver of the petroleum gas truck states. "Now I can go 30 over them.") Truck owners also see that while efficiency goes up, operating costs come down. A Chevy can ride the rough runs without shaking up the driver and the load, and without subjecting the body and sheet metal to excessive stress and strain. The truck lasts longer, keeps working for extra thousands of miles. If you think this is just talk, read the specs and take a ride. Then try to name another truck that compares with this one. . . . Chevrolet Division of General Motors, Detroit 2, Michigan.



With Chevy's INDEPENDENT FRONT SUSPENSION design (at left) each wheel flexes independently, keeps the truck and the load virtually level with the road; minimizes tire abuse as well as stress and strain on chassis, body and sheet metal. The ordinary I-BEAM FRONT AXLE (at right) is the type most other trucks still have—a stiff-beam design that can't help but transmit road shock and vibration from one wheel to the other and right up through the chassis, the cab and the load.

CHEVY I F S TRUCKS
INDEPENDENT FRONT SUSPENSION

THEY WORK HARDER BECAUSE THEY RIDE EASIER



what every shipper and railroad should know about ACF's new idea in piggybacking

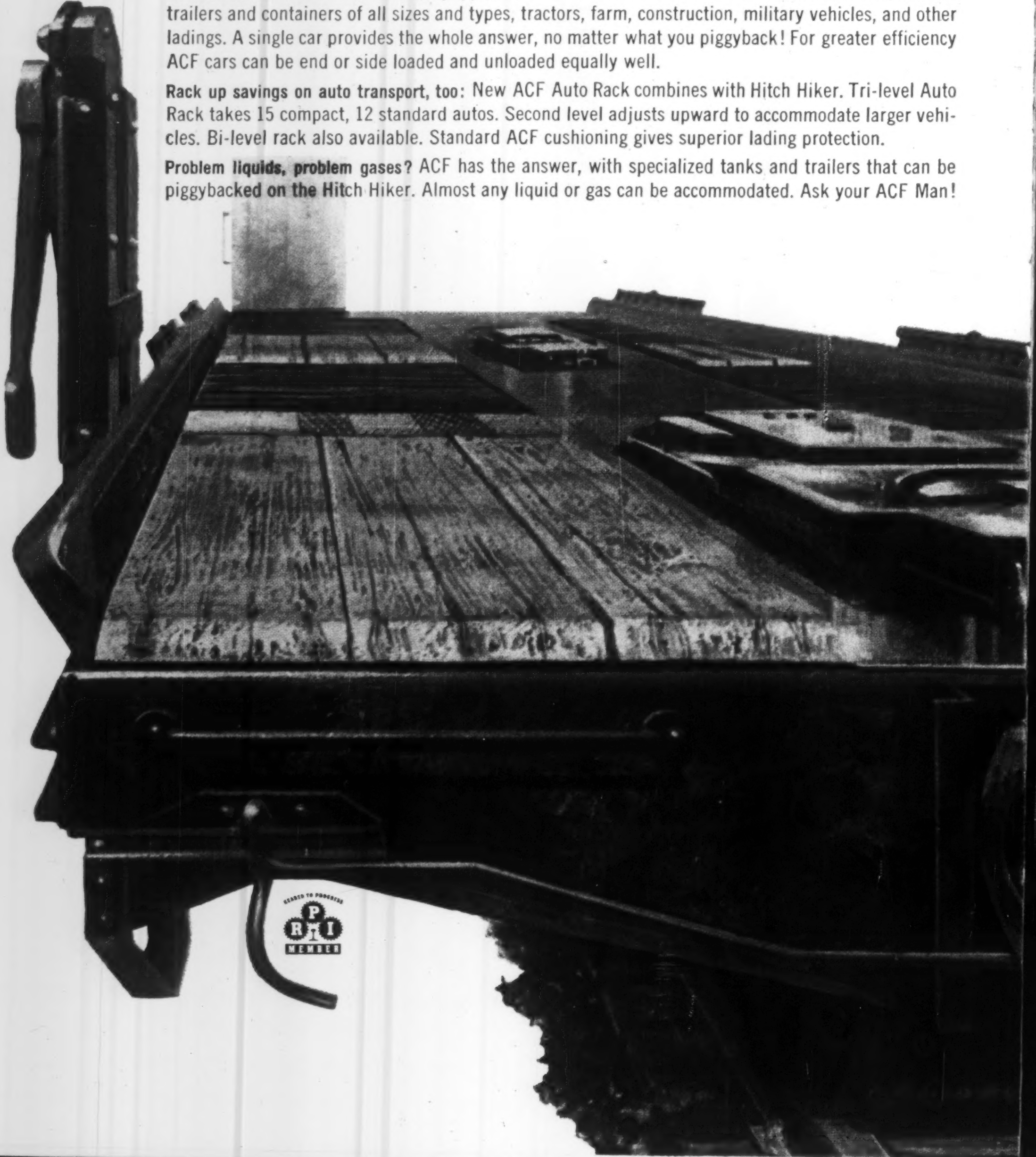
ACF's new "Transport Package" is literally a profitable "do-it-yourself" kit for shippers and railroads who transport by piggyback! One remarkably versatile flatcar—the ACF Hitch Hiker—plus ACF-designed attachments—can carry any trailer, any cargo, including autos, with maximum protection and maximum efficiency. ■ Because of its flexibility in combining with other types of piggyback equipment, and its ability to adapt to new ladings and handling techniques, the ACF "Transport Package" can be the common denominator for all piggyback requirements. ■ This means you get more mileage from your piggyback fleet—eliminate the chances of premature obsolescence—and reduce maintenance and downtime, because ACF products are production-line built.

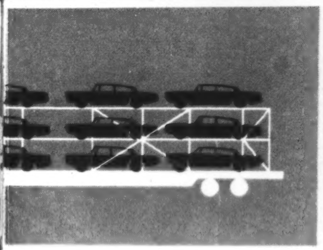
ACF's 85' Hitch Hiker (and attachments) . . . no matter what you transport, this is the answer!

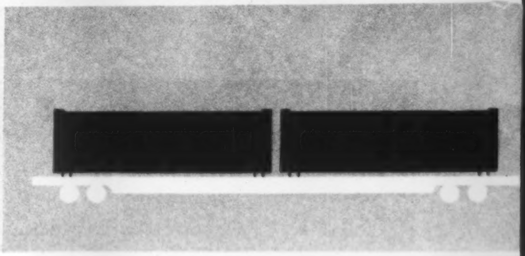
What's the load? ACF Hitch Hiker, equipped with ACF Trailer Hitches and ACF Cushion Cradles, handles trailers and containers of all sizes and types, tractors, farm, construction, military vehicles, and other ladings. A single car provides the whole answer, no matter what you piggyback! For greater efficiency ACF cars can be end or side loaded and unloaded equally well.

Rack up savings on auto transport, too: New ACF Auto Rack combines with Hitch Hiker. Tri-level Auto Rack takes 15 compact, 12 standard autos. Second level adjusts upward to accommodate larger vehicles. Bi-level rack also available. Standard ACF cushioning gives superior lading protection.

Problem liquids, problem gases? ACF has the answer, with specialized tanks and trailers that can be piggybacked on the Hitch Hiker. Almost any liquid or gas can be accommodated. Ask your ACF Man!







ACF Trailer Hitches and Cushion Cradles are the backbone of Hitch Hiker service

ACF Trailer Hitch: Over 14,000 now in service, because it's the fastest, surest tie-down method available. Provides 40,000 foot pounds of cushioning capacity, allows 22½ inches of horizontal travel. One man completes entire tie-down in less than three minutes.

ACF Cushion Cradles: Help make the Hitch Hiker flatcar the most versatile piggybacker on the road. ACF Cushion Cradles provide cushioning for ladings of 40,000 to 120,000 pounds; allow 15 inches of cushioning travel in either direction. Containers of virtually any length may be carried, as well as other types of equipment requiring multiple-point tie-down.

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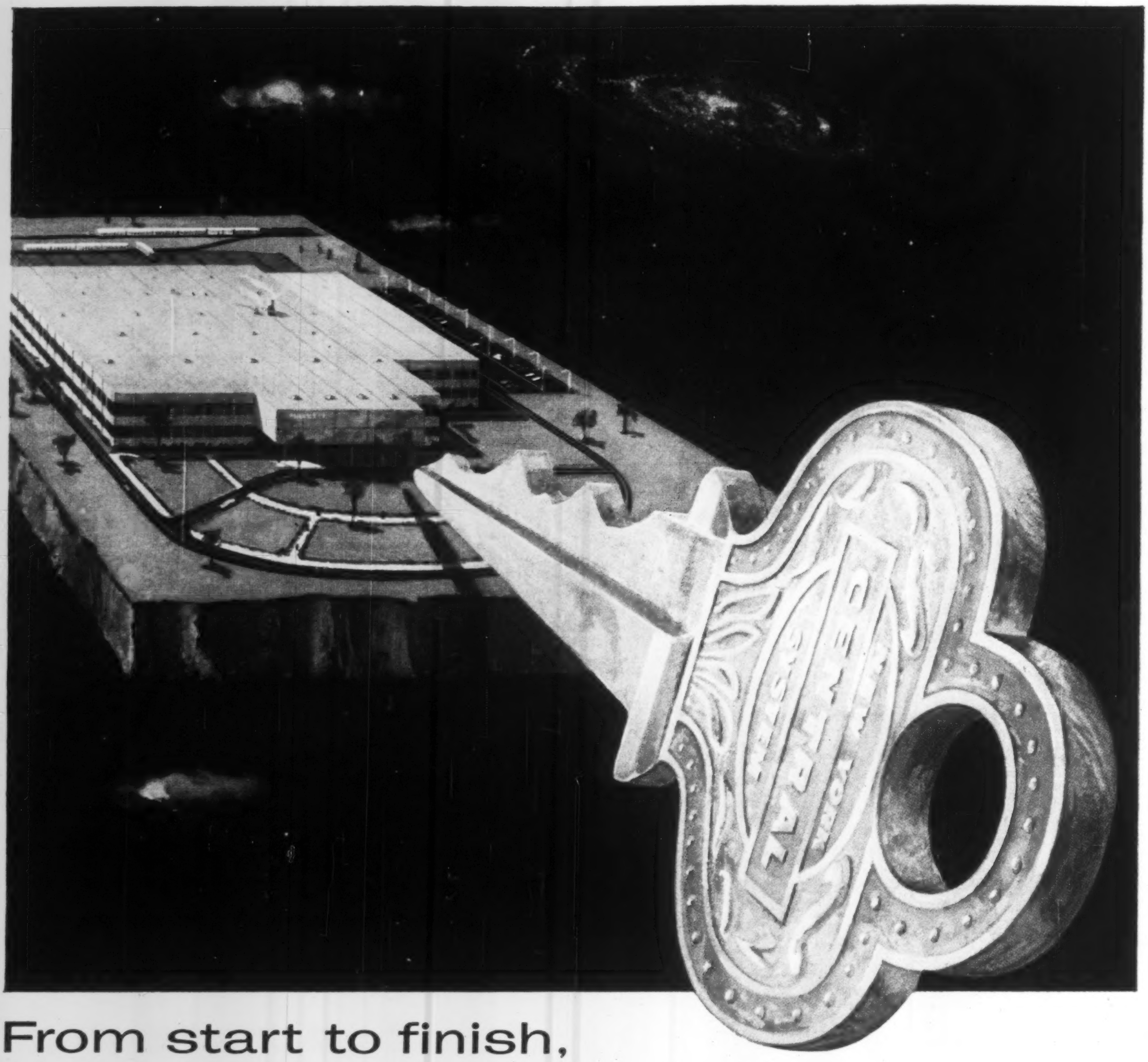

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continued from page 78

Private Truck Conference of the American Trucking Associations, Inc.

Meanwhile, regulated truckers accuse companies that operate their own trucks—whether legally or in the gray area—of taking the cream of the traffic, the highrated shipments, in their own trucks and leaving the less profitable cargoes for the common carriers.

If the complaint sounds familiar, it is—railroad presidents have been laying the same charge at the truckers' door for several years. Since they can offer faster service than the rails, and door-to-door delivery at similar rates, truckers have been able to strip away most of the railroads' high-rated traffic—traffic the rails have counted on to offset the losses or near-losses on many bulk commodities.

The rails' traditional approach to rate-making had stressed the value-of-service factor, which translates as "charging what the traffic will bear." Clearly, line-haul costs for a carload of books are little different from those for a carload of bricks. But if they bore identical rates, books would be paying much less than they could actually afford—as witness their market acceptance at prevailing prices. And if the rails boosted the rate for bricks to offset the loss of book income, bricks might not move at all—the added cost would put them out of competition with other building materials.

The rails hit back

Not that the rails haven't cut rates where they felt they could to meet competition. Thanks to the Transportation Act of 1958, which directed the ICC not to hold an umbrella over carriers threatened by direct competitors' plans to reduce their rates, the Commission has OK'd hundreds of railroad rate-reduction proposals in the past few years, primarily at the expense of for-hire truckers and coastal shipping lines.

Companies engaged in private trucking are certainly not required to own the trucks in their private fleets. But when a shipper leases equipment, one question immediately arises. Does the shipper actually plan to use it as he would owned equipment, or is the lessor in reality furnishing a transportation service to the shipper? In other words, who is really the carrier? Or, as the ICC puts it in judging the legality of leased equipment operations, "Who has the right to control, direct, and dominate the performance of service?"

A nationwide survey by field offices of the ICC reveals that 45% of all gray-area traffic moving involve shippers who lease vehicles with drivers. Where a truck and a driver are furnished to a shipper, or where there's a tie-in between the rental of the equipment and the employment of the driver, the Commission and the courts have generally held that a for-hire operation is being performed by the lessor—a violation of the law. Even in instances in which the drivers were placed on the shipper's payroll for the trip, the arrangement has been judged illegal. The Commission presumes that the shipper is engaging for-hire service—and in for-hire service, rates charged, commodities carried, routes covered, and schedules maintained are all subject to regulation. To overcome this presumption, the shipper must show that he has complete and exclusive control over the transportation service.

Key ruling to come

One critical question not yet resolved is whether a shipper can make use of truck-owner operators who are paid separately for their labor and for the truck rental. The answer is likely to come soon in the form of a U.S. Supreme Court decision in the Oklahoma Furniture Co. case. In the view of the ICC, which carried the case to the High Court on appeal, owner-operators working in this manner are in reality offering for-hire transportation service and should therefore be subject to regulation.

The buy-and-sell subterfuge is used by some private shippers to get a backhaul for their own trucks, but more commonly it is used by gypsy truckers and exempt truckers. The difference between the purchase price and the sales price covers the transportation charge, which is usually about half the rate charged by a regulated for-hire trucker.

In a buy-and-sell operation, the basic question is whether the private carrier is operating as a for-hire carrier of regulated commodities. Buy-and-sell accounted for 21% of the shady shipments turned up by the ICC's recent survey, and the Commission charges that even some regulated for-hire truckers are now resorting to it.

Before a sharp crackdown by the Commission, a good deal of sugar and

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THE ATA's Ed Kiley cites inroads made by truckers who dodge regulation.

salt was transported by buy-and-sell operators. Most truck-transported lumber, aside from that handled by legitimate private carriers, moves out of Alabama illegally, mainly through buy-and-sell methods.

When they are snagged by ICC field agents (which happens all too seldom, in the view of the legitimate for-hire truckers) the "traders for a trip" show the bill of sale for the goods they are moving and claim exemption as private carriers.

Knocking down this defense in court takes time. On the average, the ICC reports, it's eighteen months from the time an investigation of a questionable activity begins until a decision is reached. "Buy-and-sell cases," Commissioner Webb laments, "are so complicated and often so bitterly contested that they impose on the Commission a difficult burden of proof."

One private trucker who was hauling salt as a sideline on a buy-and-sell basis recently tried a disarmingly simple defense. He said he was in *that* business, too. The ICC, however, wasn't disarmed, and the operation was stopped.

The ICC's yardstick

In judging shipments of this kind, the Commission applies the "primary business test." Under this test, a private carrier can transport goods only if the operation is directly tied in to its primary, non-transportation activities. It can't carry them as a sideline for profit. The only exception is agricultural products, which were exempted from regulation many years ago, in deference to the farm interests.

Here is where the unregulated for-hire truckers, who are limited to handling farm products, have made another break in the regulatory dike. Pinched by lower rates on this traffic in the past year, these truckers have apparently been loading up with cargo they are barred by law from handling.

"It's not unusual," reports William M. Buttran, president of the National Conference of State Transportation Specialists, "to find a refrigerator truck on the highway carrying a well-chilled cargo of anything from steel to matches. Not long ago a van-load of wetback Mexicans got a case of frostbite that way."

Phony farm products

Twelve per cent of the illegal or questionable shipments turned up by the ICC's study were cases of exempt shippers carrying non-agricultural products. Many of these were produce truckers from Florida who are particularly hard-pressed to find return loads to truck back South.

The gray market activities of shippers' associations is another area the ICC is now looking into. At last count, there were 135 associations of shippers who have joined together to get truckload and carload rates by pooling their less-than-load shipments. These groups are exempt from regulation on the grounds that they provide a non-profit service for their members — but the Commission charges that some are taking business away from the regulated freight forwarders by advertising their services and not operating on a non-profit basis.

Taking off the gloves

Backed into a corner by competition from cut-rate gray area operators, some regulated for-hire truckers have been forced to cut corners and bypass the regulations. "Their hands are no cleaner," says the transportation director of a major industrial manufacturing company.

On various fronts, the railroads and truckers are now beginning to strike back at the gray area operators. The railroads' strategy has been to clamor for relaxation of the regulations on which for-hire truckers have thrived. Railroads are aggressively campaigning for permission to bring rates closer in line with costs, regardless of the possible effect on truckers or water carriers, and for the right to diversify freely into other modes of transportation. (See pages 43–54 for more on the railroad industry.)

In contrast, for-hire truckers are calling for more regulation to stem the erosion of their traffic. They're now pressing for new legislation:

- to require all manufacturers and other companies that operate their own trucks to register each vehicle and file periodically a description of the operations
- to clear up the cloudy points of law regarding private carrier operations, such as the leasing of trucks with drivers
- to provide for both injunctive power against gray area operators and reparations for pirated traffic
- to give stiffer penalties (i.e., jail sentences) for violators, more funds for enforcement, and faster issuance of cease-and-desist orders.

In another counterattack, the American Trucking Associations, Inc. has hired a crew of investigators to flag down shady operators and bring the information to the Commission. In filing their first complaints a few months ago, the organized truckers announced that they might have to "dig in for a long war" to recover the ground lost to questionable operators.

Present regulations, permitting private carriers to transport exempt agricultural commodities for hire, are under fire from both the for-hire truckers and the railroads, which would like to regain either the farm produce traffic or the other traffic now moving in private carriage on backhauls.

Some Government officials, too, would like to bar private truckers from competing for farm produce business. They want to strengthen the declining common-carrier system, in the interest of national defense. Among many other recom-

FOR TOUGHER POLICING, the ICC needs funds, says Commissioner Webb.

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mendations in a recently-released 732-page study, General John P. Doyle, staff director of the U.S. Senate Transportation Study Group, proposed that private truckers be required to register with the ICC.

Most companies operating their own truck fleets are opposed. They see registration with the ICC as the first step toward restrictive regulation, and they suggest other means of making a nosecount.

"It'd be a simple matter," says Jim Mann of the Private Truck Council, "for the individual states to do as North Carolina does and ask truck registrants for information on the intended use of their trucks when the licenses are obtained." Mann has also called for an amendment to the Interstate Commerce Act, defining more precisely what is meant by a "private carrier." Object: to enable the ICC to better pinpoint specific violations in and on the fringe of the gray area.

Better road signs needed

As it stands today, the Interstate Commerce Act doesn't specifically cover truck leasing with or without drivers—the most common activity by shippers in the gray area. As a result, clear-cut guide rules are lacking on just what constitutes illegal operations.

The rapid spread of gray-area operations has spurred state regulatory agencies to join in a nationwide program to keep tabs on gray-area operators spotted in road checks.

And there are plenty to be spotted. A recent week-long road-block check of trucks in a score of states revealed that at least 25% were operating illegally, reports the National Conference of State Transportation Specialists. In some states the outlaw carriers were a two-to-one majority.

Both the ICC and the state regulatory agencies are intensifying their crackdown in the gray area. Last year at this time, the ICC had begun investigations of 2,300 questionable gray area operations and had held 200 hearings. This year, the pace has been stepped up. The Commission and the battle-scarred regulated carriers are pushing for landmark court decisions, and on Capitol Hill the pressure is building up for new legislation to close the loopholes through which the gray juggernaut is rolling.

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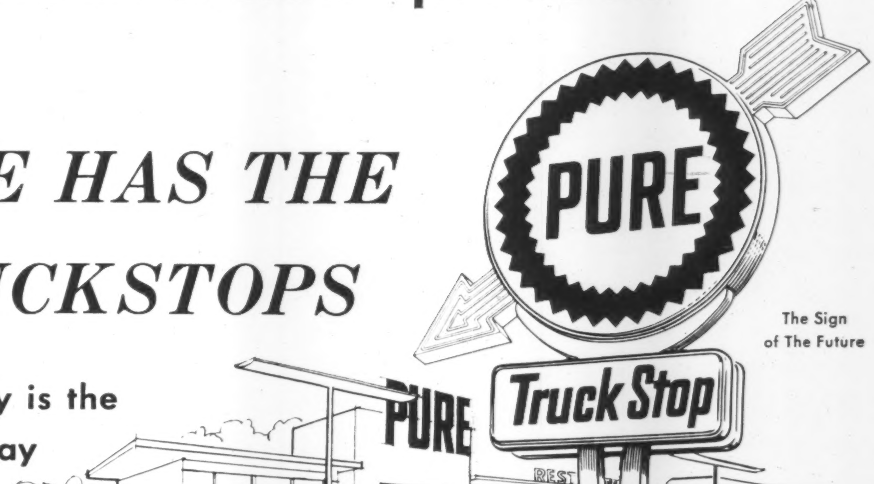

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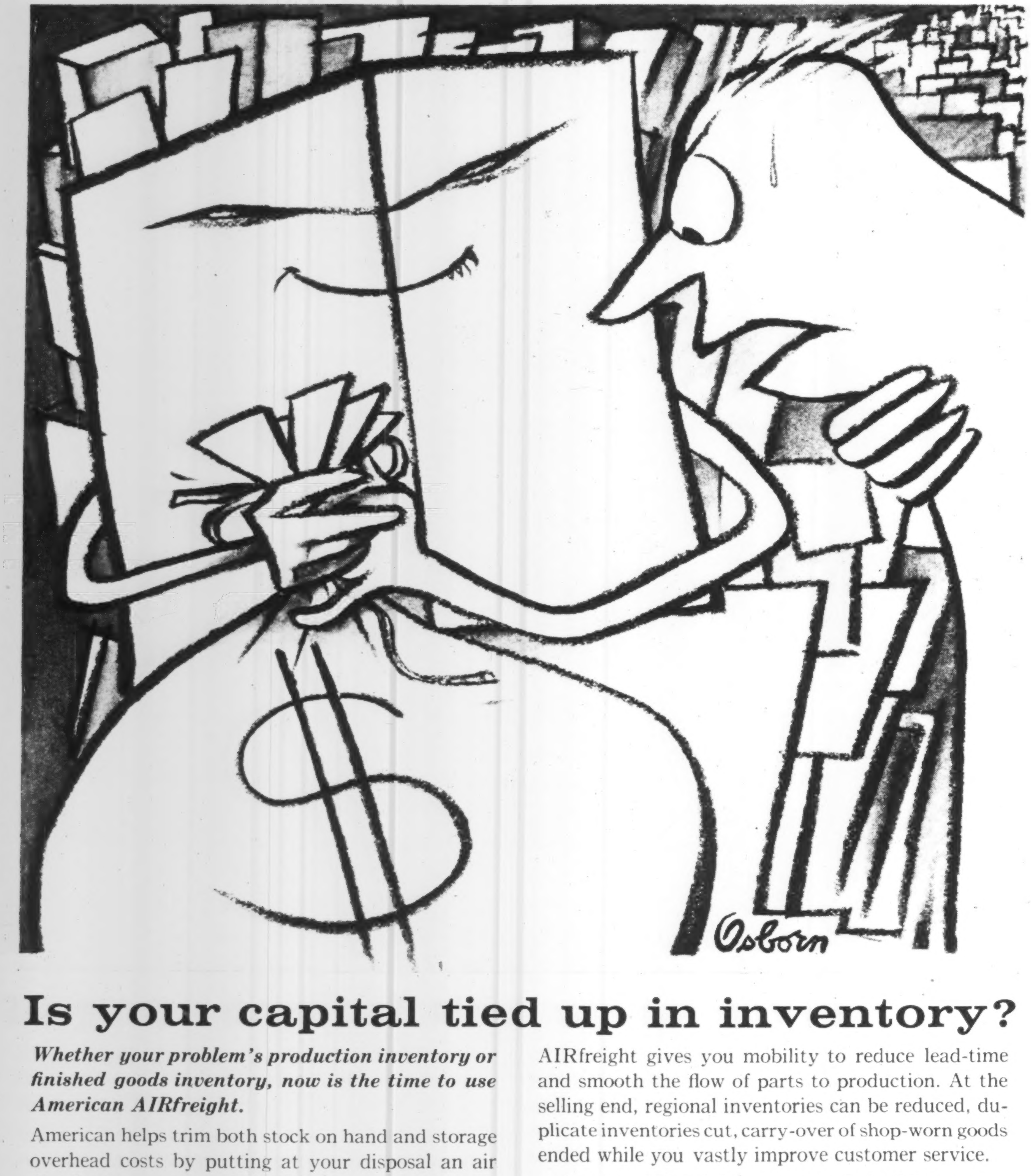

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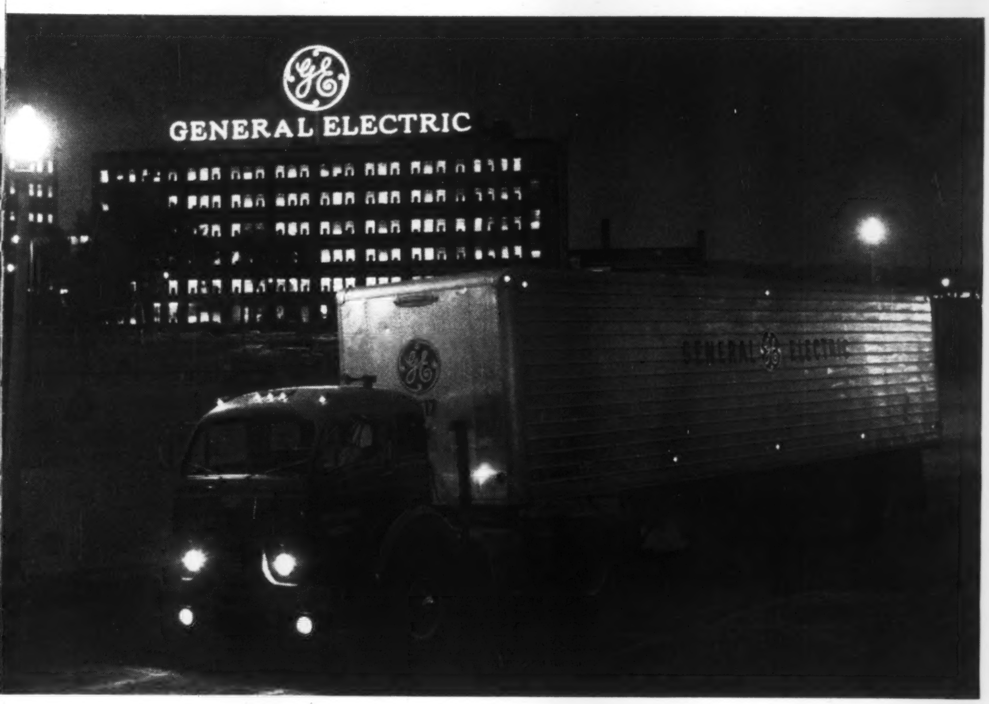
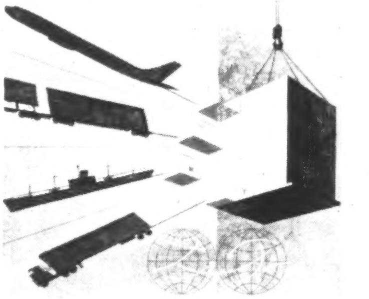


IV

PRIVATE TRUCKING

Shippers: Rolling Their Own Pays Off



Locked in fierce combat, the nation's common carriers have been too busy to counter a growing threat from an unexpected quarter. But they can't ignore any longer the inroads that private truck fleets have made on their business.

JUST HOW HARD is it to turn a dollar in transportation these days? As the men who run the nation's railroads, trucking companies, airlines, and barge fleets will tell you, it gets more difficult week by week.

To make matters worse, while the carriers have been battling with each other over the $50 billion spent for freight transportation each year, their own best customer has run off with most of the prize. The ironic fact: the fastest rolling rival for all the transportation companies is the rapidly growing fleets of trucks run by their own customers.

Company-owned and company-operated, those trucks are taking an ever larger chunk of the business. "In fact," says Vincent O'Donnell, managing director of the Private Carrier Conference of the American Trucking Associations, Inc., which represents 3,300 of the largest corporations with truck fleets, "the number of companies rolling their own will probably increase 10% during 1961, just as it did in 1960—and in 1959 and 1958."

Since the war, non-regulated carriers—most of them industrial shippers—have increased their ton-mileage by no less than 123%, compared to a rise of only 22% for regulated carriers. These are the figures for all forms of transportation. The inroads into the truckers' business are even more dramatic, for during the same period, unregulated truckers have increased their intercity ton-miles by about 350%—almost twice the gain of the for-hire truckers.

One of the most striking new twists, ironically, has been the for-hire truckers' loss of much of the business they snatched from the railroads. Manufacturers who shifted traffic from the rails to the highway with for-hire

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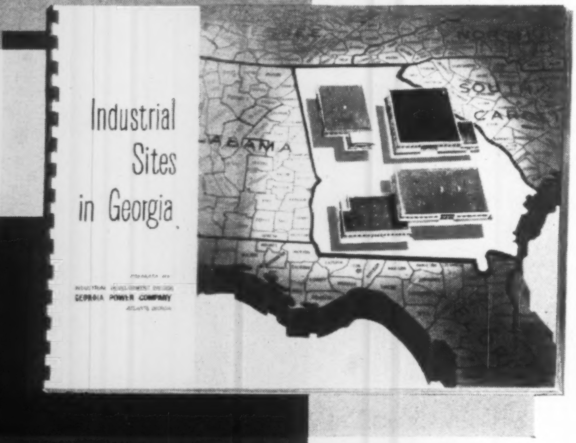

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truckers are keeping it on the highway—but in company-operated trucks.

Like Socony Mobil Oil Co. and other giant companies; Olin Mathieson Corp., as one example, has pushed deep into do-it-yourself transportation. Olin now operates a fleet of trucks and also has more than 2,000 leased railroad tankcars. In addition, it owns the tiny Arkansas and Louisiana Missouri Railway Co. to haul goods for Olin—and for independent shippers as well.

Montgomery Ward Co., for another, has been testing double-bottom trucks, which can haul twice the normal load. (Truckers' railroad foes, in fact, call them "truck trains.") So far the big mail-order company is using them only on the New York State Thruway, but if the experiment succeeds, there are still more potholes in the road ahead for the common carriers.

The inroads that private carriers have made into the business of regulated carriers are already far deeper than many people imagine. "Common carriers—rail, motor, and water alike —are now actually threatened with destruction," says ICC Commissioner Lawrence K. Walrath.

The only solution that Walrath sees is to reverse the trend toward unregulated transportation. Yet, he points out, "the rate increases which truckers and railroads are now proposing would divert even more freight into unregulated channels."

The ratcheting rise in common carrier rates over the past few years is, in fact, one of the main causes of the trend to private trucking. With each rate hike, there is a loss in traffic which, in turn, forces higher rates on the traffic that remains, thus alienating even more shippers.

To Herbert E. Bixler, assistant to the president of Northeast Airlines, transportation is going through nothing less than a revolution. "It's far more important," says Bixler, "than any 'revolution' in the ways of carrying goods. It's a changeover from public to private transportation. But unfortunately," he adds, "today's regulatory approach cannot cope with the change."

Rising rates are not the only thing driving companies to do-it-yourself transportation. "Look at the cavalier attitude of many for-hire carriers," says Commissioner Walrath. "Their deficiencies are actually forcing shippers into private transport."

Most companies make the decision

A-FRAME LEGS ABACA FIBRE ABALONE SHELLS ABIETIC ACID ABRASIVES ACCORDIONS ACETATE ACETIC ACID ACETONE ACETYLENE GAS ACID BATH OR STORAGE TANKS
ACIDS ACORNS ADDING MACHINES OR PARTS ADDRESSING MACHINES ADHESIVE NG MATTER ADZES AERIAL TOWERS AERIALS AGATE AGITATORS AGRICULTURAL
IMPLEMENTS AIR CLEANERS AIR COMPRESSORS AIR CONDITIONERS AIRPLANE PART ALBUMEN ALCOHOL ALFALFA ALKALI ALLOYS ALLSPICE ALPACA HAIR
ALTIMETERS ALUM ALUMINUM ALUNDUM AMBER GUM AMBULANCES AMMONIA AMPLIFIERS AMUSEMENT CARS MOTORS ANCHORS ANDIRONS
ANESTHESIA ETHER ANGLE ANIMAL BROODERS ANIMALS ANODES ANTENNA RACENE ANTHRACITE COAL ANTI-FREEZE PREPARATIONS ANVILS
APPLES APPLIANCES APRICO CH BARS ARMOR PLATE ARRESTERS ARTICHOKE TIFICIAL SNOW ARTISTS' MATERIALS ASBESTOS ASH ASPARAGUS
ROOTS ASPHALT ATHLETIC GOOD OBILE PARTS AUTOMOBILES AVOCADOS A AXLES BADGER PELTS OR SKINS BADMINTON SETS BAGS
BAKERS' MACHINERY BAKERY GOODS BALCONIES IRON BALE WRAPPERS BALE ING PRESSES BALL BEARINGS BALLASTS BALLOONS BALLS
BALSAM BALUSTRADES BAMBOO BANAN AR BELLS BARBED WIRE BARBER CHAIRS BARLEY BARN EQUIPMENT BAROMETERS BARRELS BARROWS
BASEBALL EQUIPMENT BASINS BASKETBAL ASKETS BASSINETTES BATHROOM FIX S BATTERIES BATTING BAUXITE BAY LEAVES BAYONETS
BEACH UMBRELLAS BEACONS AVIATION BEA BEANS BED SPRINGS BEDS BEE HIVES OOLERS BEES BEESWAX BEET HARVESTERS BEETS BELLOWS
BELLS BELT CONVEYOR FLIGHTS BELTING BE ENCHES BENDING MACHINES PLATE METAL BENZENE BENZOL BERRIES BEVERAGES BICYCLES
BILLBOARDS BILLETS BILLIARD TABLES BIN G BINDING ATTACHMENTS HARVESTE BINOCULARS BINS BIRCH CLIPPINGS BIRD CAGES BITS
BLACKBOARDS BLACKSMITHS' OUTFITS MILITARY MOLASSES BLADES BLANKETS BLA PARTS BLASTING CAPS BLEACH BLEACHERS BLIND SLATS
BLOCKS BLOOD BLOW TORCHES BLUING BOARDS B CESSORIES BO BOL BOMBS BONE ASH BONE HA LES BONES BOOK BINDERS
BOOKS BOOMS BOOTHS BOOTS BORACIC ACID BORA BOR GS BOTTLE LLEY EQUIPMENT BOWL ES BOXING GLOVES BRACES
BRACKETS BRAID BRAKES BRAN BRANDING IRONS BRA D BRICK BRIMST TES BROADCASTING TOWERS
BROILERS BROMINE BRONZE BROODERS BROOMS B UFFALO HID BUFFINGS BULBS BULLDOZERS
BULLETIN BOARDS BULLETS BUMPERS BUNGS BUOYS ACHINES BUTTERMILK BUTTONS BUTTS
BUTYL ACETATE CABBAGE CABINET PARTS CABINETS UM COMPOUNDS CALLIOPES CALVES
CAMELLIAS CAMELS CAMERAS CAMP COOKING OUTFIT S CANS CANTALOUPES CANTEENS
ALUMINUM ANVAS CAP PISTOLS CAPS CARBON CAP SELS CARPET BEATERS CARPETS
CARRIAGES ERS CARROTS CARS CARTONS CASKS CASSIA CASTERS CASTINGS
CASTOR OIL CATALYST CATHODES CEMENT CESSPOOLS CHAFF CHAINS
CHAIRS CHALK HANDELIE OAL CHARTS CHEMICALS CHESTNUTS
CHEWING GUM HIM CHLOROFORM CHOCOLATE CHOPPERS
COMPASSES COM UCTOR PIPE CONDUITS CONFECTIONERY
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DRIERS CROQUET S OS CURRY COMBS CUSHIONS CUTTLEBONE
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DEMOLITION BALLS OSE DIE BLOCKS DIES DIGGERS DILL SEEDS
DISINFECTANTS DISIN S DITCHERS FARM DIVANS DIVING BOARDS
DIVING OUTFITS DOLLS EXCAVATORS DRAINS DRAPERIES DRAWING
INSTRUMENTS DRESS FIT ROSS DRUGS DRUMS DUCTS DUMB WAITER
CARS DUST DUSTERS DYE RICAL APPLIANCES ELECTRICAL EQUIPMENT
ELECTRODES ELECTROTYPE P RS ESCALATORS ETHER EVAPORATORS EWES
EVERGREENS EXCAVATORS DRA POSURE METERS EXTINGUISHERS EXTRACTS
FABRIC FACINGS FANS FASTENERS FERN LEAVES FERN ROOTS FERRIS WHEELS
FERRULES FERTILIZER FIBRE FILES FI FIRELESS COOKERS FIREPLACES FIREWORKS
FISH FISHING EQUIPMENT FITTINGS FIX UNDS FLOODLIGHTS FLOORING FLOUR FLOWER
BOXES FLUES FLUMES FLUORESCENT LA ORMS FOSSILS FOUNTAINS FRAMES FREEZERS
FRUIT FRYING PANS FUEL FUEL TANKS LVANIZERS GAMBLING DEVICES GAME TABLES
GARBAGE DISPOSAL UNITS GARDEN FUR GEARS GELATINE GELDINGS GENERATORS GIMP
GONGS GRAB HOOKS GRADERS GRAIN GR ERS GRATES GRATING GRAVE VAULTS GRAVEL
GREASE GRENADES GRIDDLES GRIDS GRIL NGS GYPSUM HAMMERS HAMMOCKS HAMPERS
HANDBAGS HAND CARTS HANDCUFFS HA SPS HASSOCKS HAT BLOCKS HATS HATTERS
FUR HAULING VEHICLES HAY HEADERS HE HORSES HOCKEY STICKS HOES HOGS
HOISTS HOLLOWWARE HOLLY HOMOGENIZE E HULLERS HULLS HUMIDIFIERS
HURDLES HUSKERS HUSKS HYDRANTS FIRE INCUBATORS INDIAN CLUBS
INDICATOR POSTS INDIGO INGOTS INK INS JIGS JOINTS JOISTS JUGS
JUICE JUTE FIBRE KAPOK FIBRE KEGS KELP ACQUERS LADDERS LADLES
LAMBS LAMINATIONS LAMPS LANTERNS LAR HER LEAVES LEMON PEEL
LEMONS LENSES LENTILS LEVELERS LEVELS L OR LIVE STOCK LOADERS
LOBSTER MEAT LOCKERS LOCKS LOGS LOOMS MAGAZINES MAGNESIUM
ARTICLES MAGNETOS MAGNETS MALLETS MALT MAPS MARBLES MARINE
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ROSIN ROTARY BLOWERS ROULETTE WHEELS RUBBER RUBBISH INCINERAT ERS RYE SABRES SADDLERY SAFES SAILBOATS SAILS
BOAT SALAD DRESSING SALT SAND SANDING MACHINES SAUCES SAUER K SAWS SCAFFOLDING SCALES SCIENTIFIC INSTRUMENTS
SCISSORS SCOOPS SCOOTERS SCRAPERS SCRAPS SCREENING SCREWS HLIGHTS SEEDERS SEEDS SEEPAGE TANKS SEESAWS
SEPTIC TANKS SEWING MACHINES SHADES SHAFTS SHALE SHEARS SH SHINGLES SHIPPING DEVICES SHOES SLEIGHS SLICERS
SLUICE BOXES SMELTING FURNACES SPRAYERS SPREADERS SPRING ASS STAIRWAYS STAKES STALKS STALLS STAMPING PRESSES
STANDS STAPLES STARCH STATUARY STERILIZERS STILTS STOOLS STO ETCHERS STRIPS SUGAR SULPHUR SURGICAL INSTRUMENTS
SURVEYING OUTFITS SWIMMING POOLS SWINGS SWITCHBOARDS SYRUP STRIES COTTON TAR TARGETS TARPAULINS TEA TELEPHONES
TELETYPEWRITERS TENTS TERRA COTTA TEST TUBES TEXTILE MA MOMETERS THERMOSTATS THRESHERS TILE TIMING DEVICES
TIN TINSEL TIRES TOBACCO TOBOGGANS TOMATOES TOOLS TOR POLES TOURIST TRAILER OUTFITS TOWELS TOWERS TOWING
POLES AND SLINGS TOYS TRACTORS TRAFFIC SIGNALS TRAILERS ANSPLANTERS TRAPS TRAYS TREE DIGGERS TREES TRELLIS WORK
TRENCH EXCAVATING MACHINES TRESTLES TRICYCLES TRIPODS KS TRUNKS TUBES TUBS TUNGSTEN TUNNEL SEGMENTS TURBINES
TURNBUCKLES TURNIPS TURNSTILES TURNTABLES TURPENT ERS UMBRELLAS UNIFORMS UNLOADERS UPHOLSTERING PADS URNS
UTENSILS VACUUM BOTTLES VACUUM CLEANERS VALVE S VASES VATS VAULTS VEGETABLES VEHICLES VELLUM VELOUR VENDING
MACHINES VENEER VENETIAN BLINDS VENISON VE VERM IBRATORS VINEGAR VINERS PEA VINES VISES VOTING MACHINES WAGONS
WALL PAPER WALLBOARDS WASHERS WASHING MACHINE WATER WAT AX WEBBING WEDGES WEEDERS WEIGHTS WELDERS WELTING WHEELBARROWS
WHEELS WHEY WICKING WINCHES WINDMILLS WINDOW CASINGS WINDOWS ARTS WINDSHIELDS WINE WIRE WOOD WOODENWARE WOODPULP WOODWORK WOOL
BATTING WOOL WRAPPERS WREATHS WRENCHES WRINGERS X-RAY MACHINES XYLENE YACHTS YARD STICKS YARN YEAST YOKES ZEBRAS ZINC ZIRCONIUM ZITHERS

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Offices in principal cities of U. S. and Canada to haul their own goods with heavy reluctance. "It isn't as if operating private trucks were a delightful enterprise," remarks Richard M. Boyd, who is director of traffic and transportation of Pittsburgh Plate Glass Co. and president of the National Industrial Traffic League, which represents most large shippers. "There's probably nothing," says Boyd, "that brings more headaches—scheduling, the investment which could be put to better use, labor complications. Yet in the face of a surplus of common carrier transportation, do-it-yourself transport has grown at a tremendous rate. And behind it," he goes on, "are just two reasons—cost and service."

But, as the for-hire truckers are quick to point out, it is the ICC which tells the for-hire truckers what rates they can charge, what cargo they can haul, what routes they can cover, and what schedules they can maintain. So an unregulated private truck fleet starts out with several advantages denied the regulated truckers:

- It is not saddled with terminal expenses that add about $3.50 a year to the cost of every ton carried.
- It is not burdened by rates which call for constant checking, adjustment, and negotiation—and for high administrative and legal overhead.
- Privately operated trucks can often deliver the goods a lot faster than the common carriers, who are required to follow prescribed routes.
- Virtually all drivers employed by the for-hire truckers are unionized vs. no more than half of those driving private industry's trucks.
- Finally, a private company's trucking operation need show no profit.

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Yet the cost savings of about 20% in the typical private trucking operation are not the only attraction. "When manufacturers have to spend endless time and effort to make sure shipments meet delivery schedules," says Pittsburgh Plate Glass Co.'s Boyd, "and then on top of it all have to have every shipment traced, it's obvious why they'd rather 'roll their own.'"

The most valuable dividend, of course, is better customer relations, since the private trucks' dependable delivery schedules contrast vividly with the service of many for-hire truckers. "In fact," notes James D. Mann, managing director of the Private Truck Council of America, Inc., "improved service to customers has frequently been the basic reason for adding truck fleets."

Customers are not the only ones who pick up speed from this improved service. Goods that travel in company-operated trucks are far less likely to get damaged in transit, nor do they go astray so often. Even the new trend in inventories is stimulating do-it-yourself transport. With the annual cost of maintaining inventories now running at about 25% of their value, manufacturers are aiming at the split-second scheduling the automakers use, bringing in components just when they are needed on the assembly line.

What does this mean to the common carriers? One simple piece of bad news, for so far only the air freight carriers have managed to adapt themselves to the times. They—and the private truck fleets—are alone in matching the new pace, keeping stocks almost constantly in motion, and giving the customer fast, dependable deliveries—so that he, in turn, can keep his own line moving. Significantly, it is the air freight lines and the private truck fleets that have shown the largest increases in business over the past few years.

Few companies with their own truck fleets are out for a smooth uninterrupted drive toward new profit opportunities, however. In getting into do-it-yourself transportation, management is entering a specialized business where the shadow of Government control is never far away. Although private fleets don't have to register with the ICC and are free of the complex rate structures, they still have to meet the ICC's safety regulations if they cross state lines. Too, competitors or disgruntled for-hire carriers may challenge the legality of the truck fleet operation, plunging management into costly court actions that can tarnish hard-won corporate reputations.

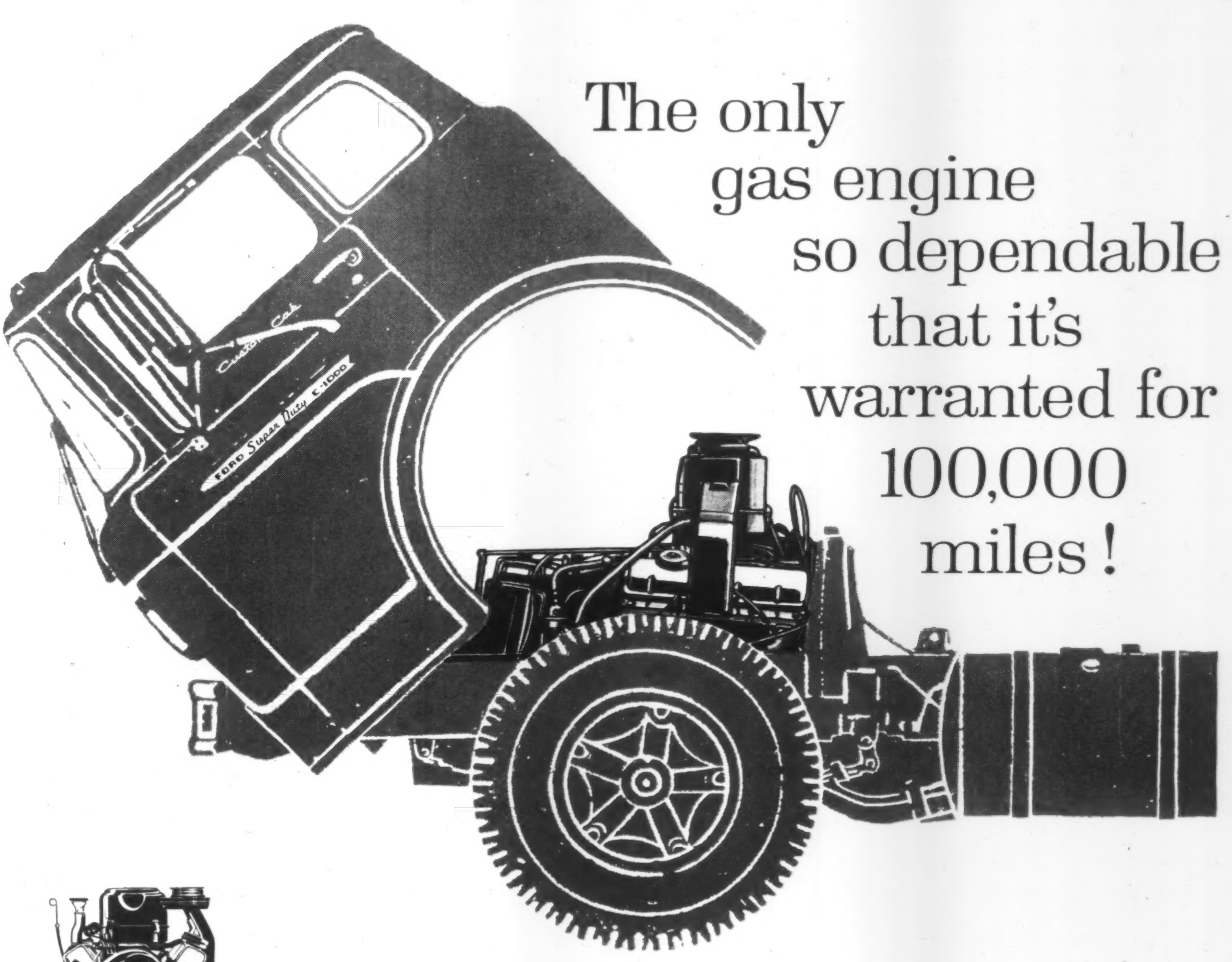
Critics of the trend to private carriage point out that the temptation to add an impressive fleet of trucks is often irresistible for the empire-building executive, particularly since there are few standards to judge the efficiency of the operation. (A recent survey of 300 companies that operate their own trucks turned up the fact

Look Who's Barging In

Regulated for-hire truckers aren't the only people who are feeling the bite of competition from private carriers. Barge line operators are in the same fix. The villains in this case are the producers of chemicals and other bulk products, one-time barge line customers, who today are finding it cheaper to buy their own barges and ship the goods themselves. Worse still, from the barge lines' viewpoint, those former customers are now vigorously bidding for the shipments of other producers.

At recent Senate hearings into the decline of the common carrier industry, a spokesman for the Inland Waterways Common Carriers Association spoke out in no uncertain terms for price protection against the low rates offered by private industry's own barge fleets.

"We believe a company has a right to transport its own goods in its own vehicles," declared Jacob W. Hershey, board chairman of American Commercial Barge Line Co., the giant of the industry. "But the public interest may be hurt when private industry competes as a 'for-hire' carrier with carriers who must make their living from transportation alone."



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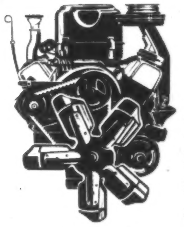

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For example, the Ford 401-, 477- and 534-cu. in. Super Duty V-8's are the only gas engines that are dealer-warranted for 100,000 miles. On these engines, Ford Dealers will replace all major engine parts (including block, heads, crankshaft, valves, pistons, rings) found to be defective in material or workmanship in normal service. Warranty covers full cost of replacement parts for 100,000 miles or 24 months, whichever occurs first . . . plus full labor costs for the first year or 50,000 miles, sliding percentage scale thereafter.

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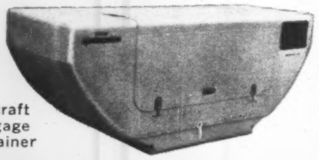
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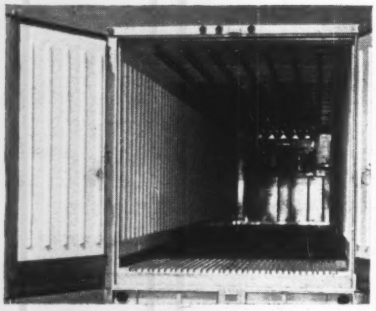
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that only thirteen had reliable information on their actual costs. Conducted by the Texas Transportation Institute, Texas Agricultural Mechanical College System, College Station, Tex., the survey resulted in a set of recommendations on how to pinpoint costs.)

Even when the cost advantages are clearly visible, they vanish almost overnight if the private trucker can't avoid empty backhauls. Except in rare instances of special purpose equipment to move such products as milk, cement, and dangerous chemicals, the availability of a payload on the road back home is the point on which the typical private trucking operation pivots.

Mergers, diversification, and just plain growth may enable a company to run shuttle truck service back and forth among customers, suppliers, and its own affiliated plants. For example, the Sylvania Home Electronics Division of Sylvania Electric Products, Inc., recently leased a truck fleet to carry finished products to customers and then bring back components from the company's other manufacturing divisions and from suppliers.

A familiar sight on many a highway is a truck marked, say, XYZ Industries, Inc., loaded to overflow with cabbages or crates of tomatoes. It doesn't mean that XYZ has diversified into agriculture—merely that it, like so many other companies, has discovered a new way to avoid empty backhauls: transporting agricultural commodities, which are exempt from ICC rate regulation and can move at whatever price the shipper and trucker agree on.

Though there are nearly 31,000 interstate carriers that specialize in this traffic, they have, on the average, the smallest truck fleets—only 5.5 vehicles per fleet vs. 8.0 for private carriers and 38.1 for the 19,000 regulated for-hire truckers. Still, the exempt carriers, as they're called, give the private truckers knockdown competition.

The private trucker is usually happy if the farm products pay the out-of-pocket costs of the return trip.

Yet in spite of the poor pickings, the nearly 81,000 company-owned fleets in interstate commerce are now an important link between farm and market. With many plants shifting to exurbia, it has become increasingly convenient for a company truck to pick up a load of apples or other

PRIVATE FLEETS cut paperwork, says E. Grosvenor Plowman of U.S. Steel.

produce after dropping off its load of industrial supplies at the plant.

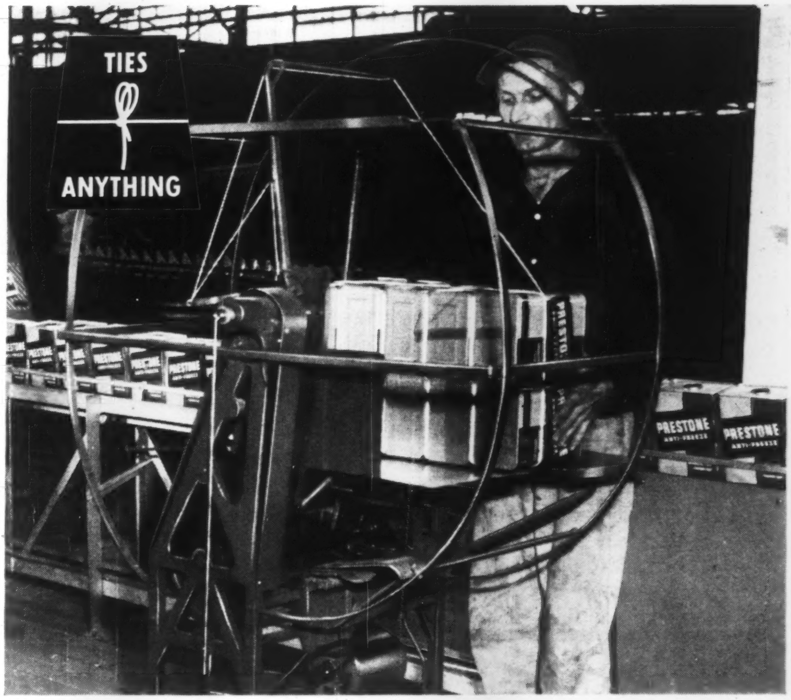
"Convenient" is not, perhaps, the word. Just how important this haulage is to industry's fleet became obvious in the howls that followed Gen. John P. Doyle's report on transportation to the Senate Interstate and Foreign Commerce Committee. Among his recommendations: a proposal to bar private truckers from providing for-hire service for shippers of farm products.

Trouble, trouble everywhere

Stirred by the Doyle report, the findings that James M. Landis turned in to President Kennedy at year's end, and the near-crisis condition of the common carrier industry, the ferment in national transportation policies is bringing more transportation bills to Capitol Hill than in any previous postwar year. And the subtle spread of the so-called "gray area" in private trucking (see page 73) is calling new attention to company-operated trucks.

Some see this as a time of real danger for the private truck fleets. "I'm convinced," says James F. Haley, vice president–transportation of Koppers Company, Inc., "that there's collusion among highway, inland waterways, and rail carriers. They're out to stamp out private carriage, whether it's legitimate or not."

It seems certain that the months ahead will bring plenty of fireworks. Not all the fireworks, however, will have the razzle-dazzle of behind-the-scenes fights in Washington. The common carriers are concentrating on less combustible ways of putting their new competitors in the shade. It's become obvious to them that any company with a shipping volume big enough to afford a truck fleet is the



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After discussing his freight shipments with a FRISCO Sales Representative, an Arkansas shipper found that by increasing his load he was able to qualify for a FRISCO incentive rate, of which he was previously unaware.

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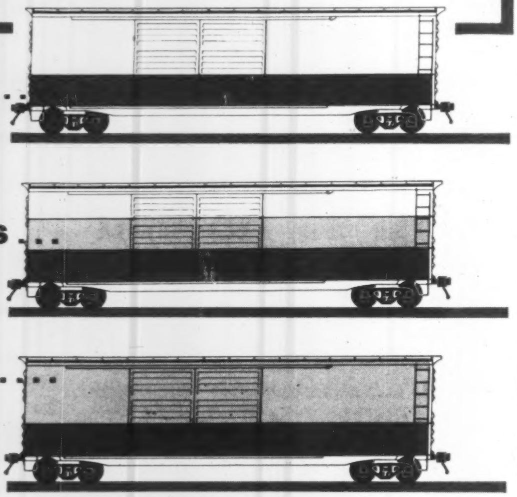

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very customer they can least afford to lose.

"Never before," remarks Fred M. Muller, transportation consultant for Arthur D. Little, Inc., "have so many competitive railroaders, truckers, and shipping line men sat down together for so long. It's not hard to find the reason," Muller adds. "They know they've got to win back their dwindling traffic."

Though they insist that service is better than some shippers claim, the for-hire truckers concede that there's room for improvement. "A lot of shippers will tell you, 'We're not sure what it's costing us to move our own freight,' " admits Edward V. Kiley, director of research for the American Trucking Associations, Inc. "But they go on to say, 'All we know is that we get better service.' "

Socony Mobil Oil Co., for instance, has invested $300 million in trucks, rail cars, ships, and barges, money that it could put to good use in research and production—if the common carriers would give it the prices and service it needs. Even companies which find that their own fleets come higher than for-hire truckers say they're not turning back.

The common carriers are out to make them change their minds. Yet however much they sense the danger in industry's move toward private transport, these same carriers seem by no means ready to form a united front against it. Quite the opposite, in fact, some critics say. "As they've come to realize that they're fighting for survival," declares ICC Commissioner Walrath, "there's been a noticeably faster tempo of aggressiveness in intermode competition. By concentrating on defeating each other's sales appeal," he goes on, "they've weakened one another—all the while overlooking the desirable traffic that's going off to private carriers."

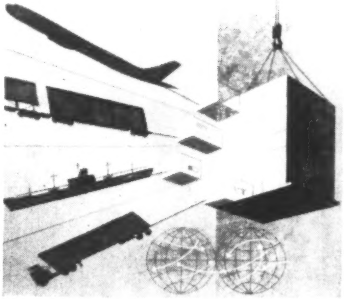
It is their endless carping that, more even than costs and service, has driven some shippers to flee the imbroglio and get on with transporting goods by rolling their own. "The regulated public carriers have been fighting one another for so many years," says ICC Chairman Everett Hutchinson, "that both shippers and the public have forgotten that their real business is transportation. And what are they fighting over now?", he asks. "Only 30% of the nation's traffic. That's all they've got left."

BIG-BELLIED jets are bringing extra cargo capacity which Air Express, up 22% in 1960, is helping to fill.

DISPLACED BY JETS, high-speed passenger lines are being converted to freighters while rates are being cut.

V

AIR



More and more regular freight is taking to the skies these days. But for the airlines, still burdened with more cargo capacity than they fill, rate-cutting may be the one realistic answer to the problems of too much, too soon.

Off to the Wild Blue Yonder

THE ROAR of giant jetliners zooming off daily for points overseas is music in the ears of a host of U.S. marketers these days. For the swelling volume of air traffic between the U.S. and overseas is doing more than provide tourists with their first glimpse of the Eiffel Tower or the Taj Mahal. It is creating and servicing new markets for products ranging from electronic computers to fresh strawberries, and in some cases it is even cutting freight costs for the shipper. Hupp International, a case in point, found that in shipping electric refrigerators from Cleveland to Jamaica, B.W.I., it could save 28% by using air freight.

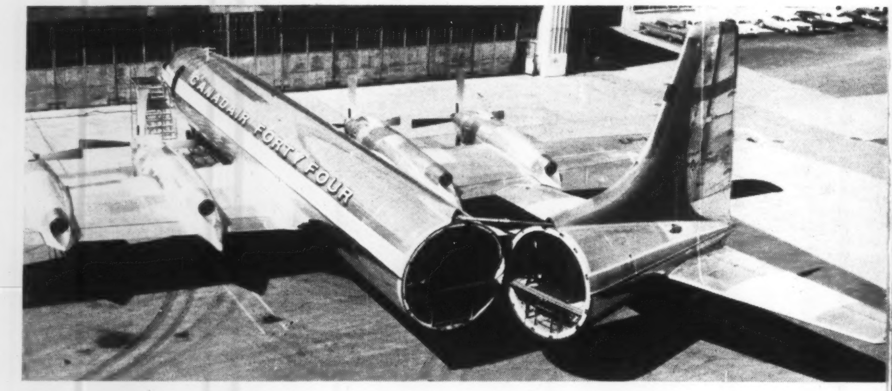
In fact, of all air freight—today's fastest-growing mode of freight transportation—international cargoes are currently showing the steepest climb.

During the past decade, while the freight revenues of domestic airlines were tripling, the international freight revenues of U.S. carriers shot up tenfold. Last year, the air freight business across the North Atlantic ("the golden lane," as TWA Vice-President Samuel C. Dunlap affectionately calls it), soared up 28%, more than twice the growth rate of domestic shipments. And the airlines claim that only about 25% of all their freight business today is made up of emergency shipments.

Total spending by American business for overseas air shipments is now running at the rate of about $140 million, the highest ever. And one expert, Willis G. Lipscomb, sales vice-president at Pan American World Airways, sees international air freight tripling during the next five years.

Right now, however, the international freight volume still isn't large enough to fill the excess capacity created by the industry changeover to jets, which carry 6 tons of freight plus a full passenger load.

The jets have added in two ways to the airline industry's excess capacity headache. The jets themselves,



TWO AIRLINES are counting on the new C-44 freighter to help pull them out of the red. It will reduce loading time sharply, carry 33 tons at 400 mph.

of course, produce about seven times the ton-mile capacity of the planes they replaced. Even with a full passenger load, the DC-8 jet has more cargo capacity than an entire DC-4. And the DC-8 jet freighter which Pan Am expects to put into use in 1963 will carry no less than 50 tons of cargo at a speed that will enable it to provide nearly twice as many ton-miles each year, while reducing ton-mile costs by 35%.

But the capacity problem doesn't stop there. A notoriously poor trade-in market for the conventional passenger planes has resulted in widespread conversion of DC-7's into all-freight planes, each one of which can carry 15 tons of cargo at 350 mph.

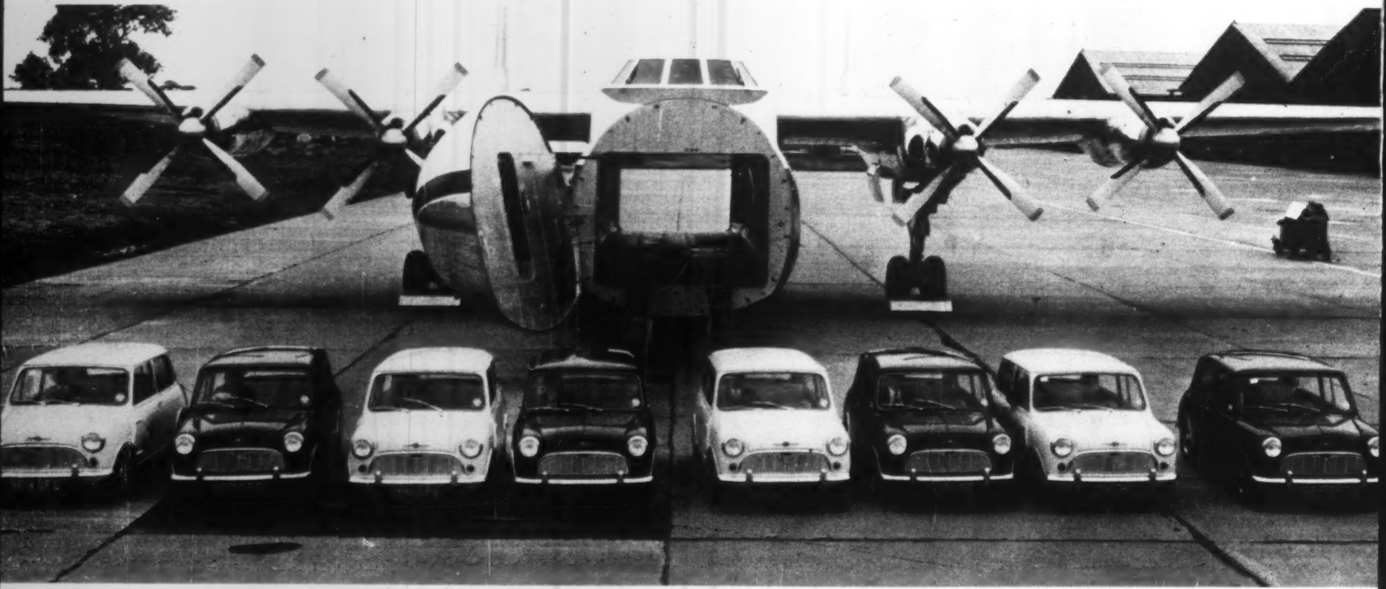
For the airlines, selling that rapidly growing cargo capacity is a matter of sheer economic necessity. Says Alvin E. Levinson, U.S. cargo manager for KLM Royal Dutch Airlines: "The only way airlines can exist today is by a heavy concentration on air cargo. There's no seasonal pattern with cargo, and our passenger planes' bellies are growing as the craft get bigger and bigger."

To add to the worries, the competition from such fast-stepping foreign airlines as KLM and Lufthansa is getting sharper all the time. Back in 1950, U.S. airlines had 75% of the overseas freight business, but the entry of many foreign lines has cut the U.S. share to 52%. Meanwhile, the domestic airlines can only gaze longingly at the one-billion ton-miles of commercial-type cargo moved this year by the U.S. Government's Military Air Transport Service—nearly twice the total freight moved by U.S. carriers.

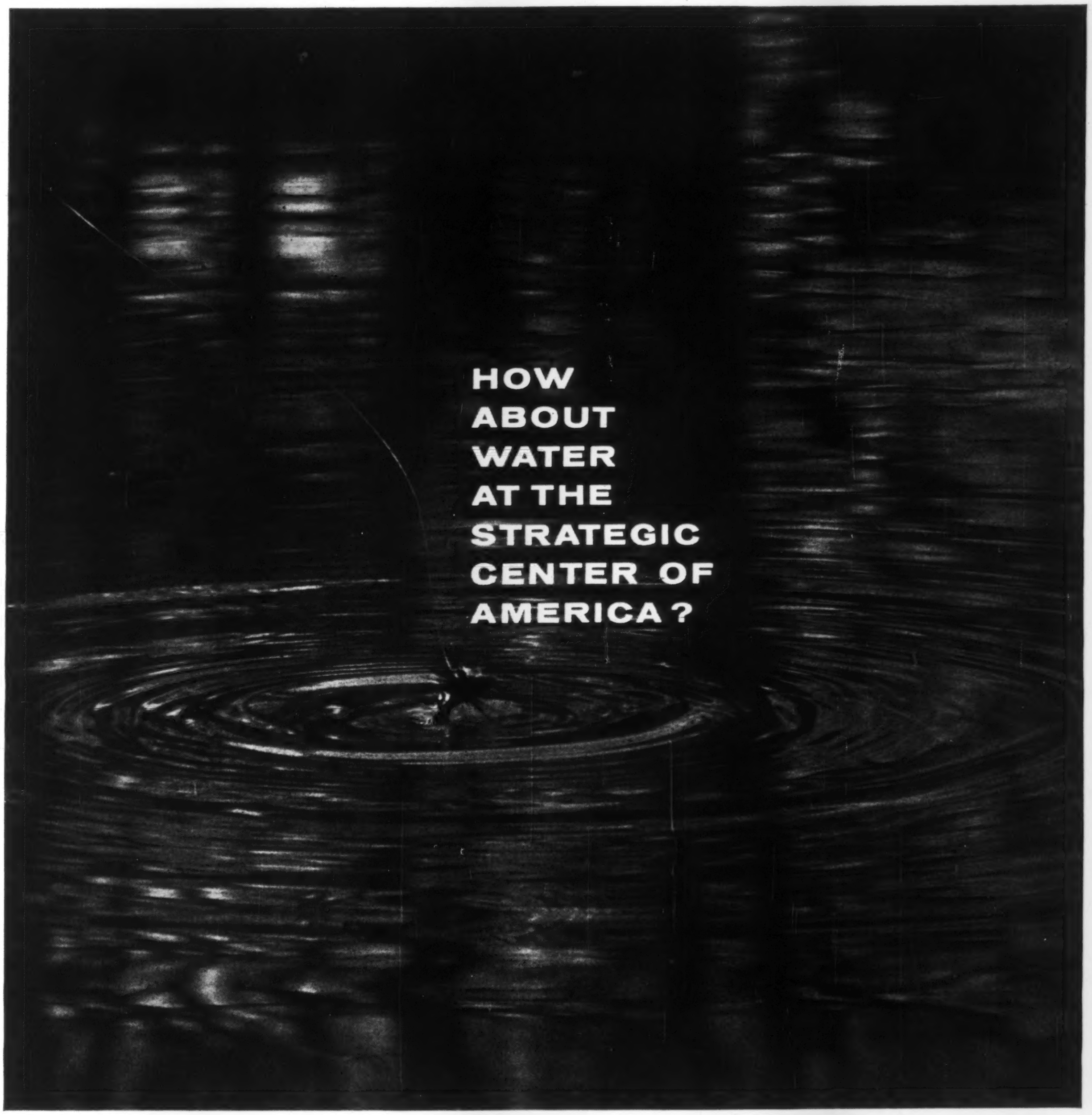
It's in the international freight business that the jets have provided the sharpest boost. Since most flights to Europe leave in the evening, they offer a tremendous advantage to the marketers of air freight service. Shipments that originate during the day can be on evening or night flights and arrive at their destinations in Europe the next morning.

The foreign airlines haven't been slow to sense the possibilities. Until quite recently, direct service to overseas markets had been available only from coastal cities, but the introduction of jets by foreign airlines in the past year has opened up such interior cities as Chicago and Detroit to these carriers. To see just how deadly that competition is, consider this one fact: Only once in the past five years has the return-on-investment of the U.S. international air lines, struggling against that competition, topped that of the domestic carriers.

One result of the battle over overseas freight business has been severe pressure on the international rate structure. Says a vice-president of a U.S. airline, "Even some foreign airlines that have agreed to the IATA conference rates are ignoring them and offering under-the-table cut rates. And if we ever provided junkets to



THE FIRST SPECIALLY DESIGNED freighter, the British turboprop Argosy, has built-in materials handling equipment. Riddle has bought six of the planes, which can be loaded and unloaded during refueling and servicing.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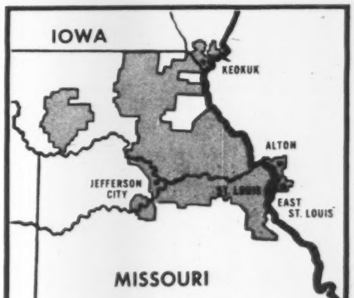
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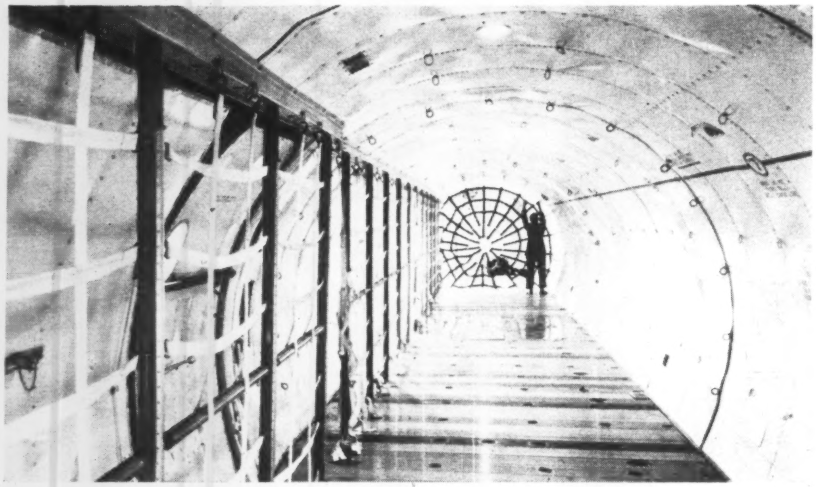


NO MORE PASSENGERS, but there's lots of room for freight in this pressurized KLM DC-7F that has been converted to carry products instead of people.

Europe for prospective customers as they do, the CAB would crack down in a flash." There are also about a dozen foreign airlines operating to the U.S. that are not bound by the rate agreement of those that belong to the International Air Transport Association.

U.S. airlines have favored rate cuts as a means both of expanding the market and of absorbing their excess capacity. They may get their way. The IATA rate agreement that currently binds eighteen U.S. and foreign airlines is due to expire at the end of this month, and it's generally given only about a 50-50 chance for renewal. In anticipation of the rate war that would follow failure to renew the pact, some lines are already planning to cut rates as much as 75%.

International cargoes aren't the only area where air shippers can look for lower rates. Domestically, the CAB's recent dropping of the minimum rate order for domestic air freight has already brought important rate cuts. For instance, TWA recently reduced by 40% its rates on hardware, processed foods, and paint in order to spur shipments from west to east, generally a low-load run.

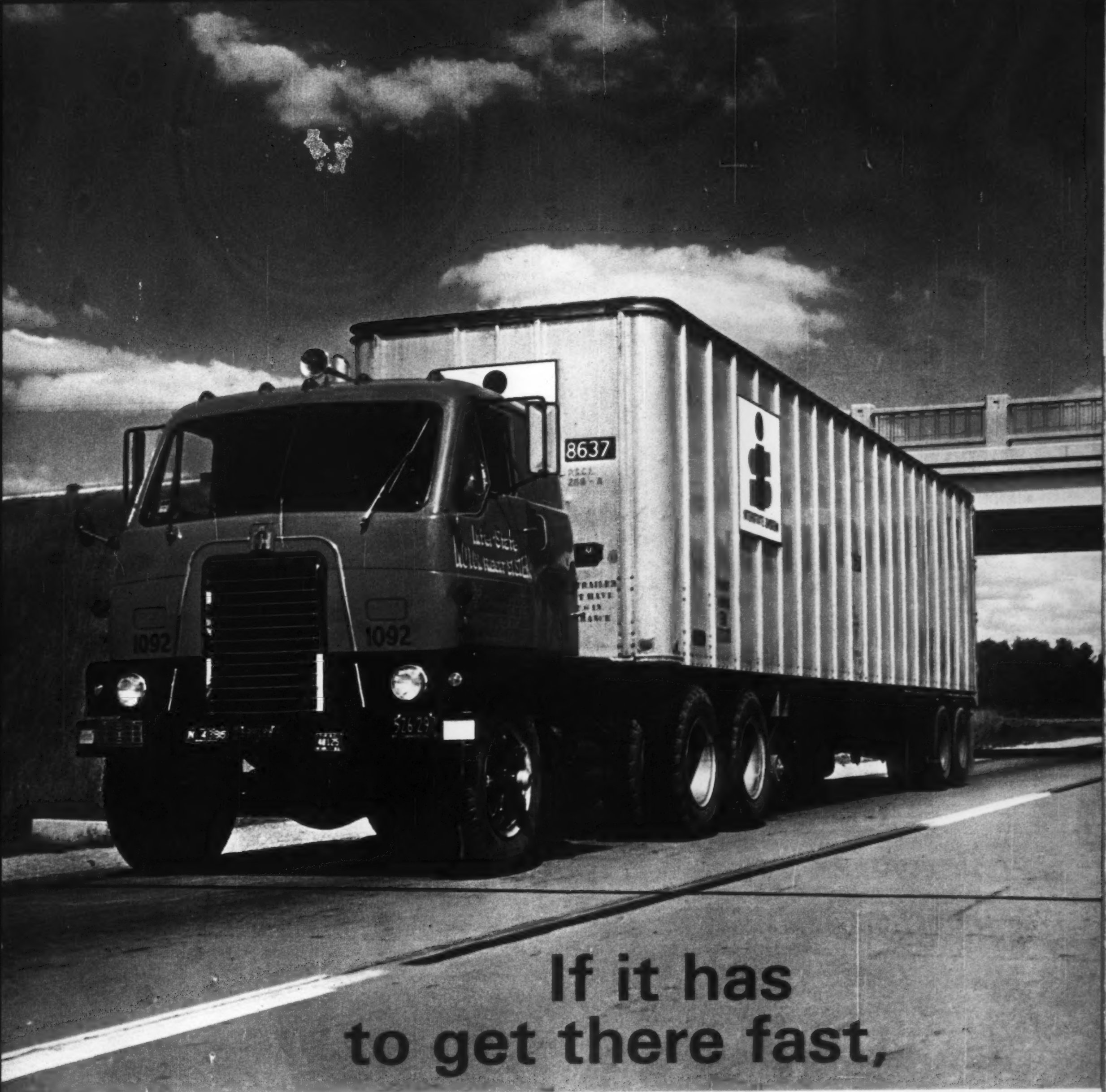
Even on the domestic front, all is not a bed of roses for the airlines. The last year, for a good many of them, has turned out to be a particularly disappointing one. Although total income was four times larger than back in 1949, net profit was only one-tenth of the total eleven years ago. On a gross income of $2 billion, the airlines showed a net profit after taxes of only $1.2 million. Return on investment was only 2.9%.

In the first quarter of 1961, the largest domestic line, American Airlines, ran in the red. Among those that lost money in 1960 were Seaboard and Western Airlines with a loss of $4.9 million, Eastern Air Lines, which suffered a $7.4 million loss (the first in 26 years), and Flying Tiger Line, with a loss of $800,000.

Both Seaboard and Western and Flying Tiger are looking to the new CL-44 cargo plane, which will be delivered next month, to pull them out of the sea of red ink that's now engulfing them.

All in all, though, the airlines are finding that the slashing competition for freight business is well worth the struggle. Data from the Air Transport Association of America reveal that total revenue from carrying passengers is about 63¢ a ton-mile, compared to only 36¢ for freight. The direct costs, however, are lower on freight. And, even more important, the overhead is considerably less. One airline estimates that air freight involves $50 of overhead for every $100 of direct cost. In contrast, the overhead on passenger business runs from $125 to $175. "We make about as much net profit from three freighters as we do from ten passenger planes," one U.S. airline vice-president admits. "It doesn't require the Hollywood front that's needed to attract passenger business. For freight all you need is a desk and a phone."

END



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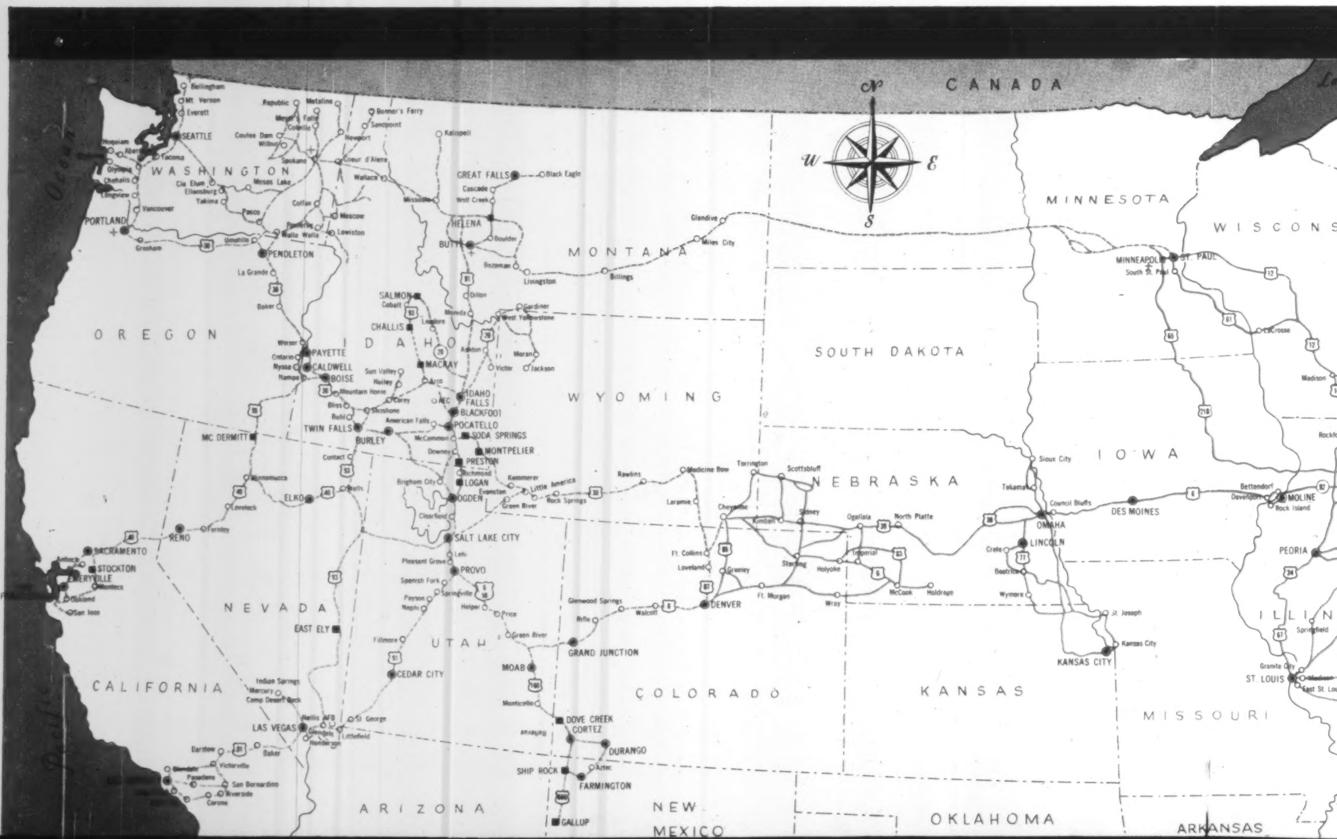

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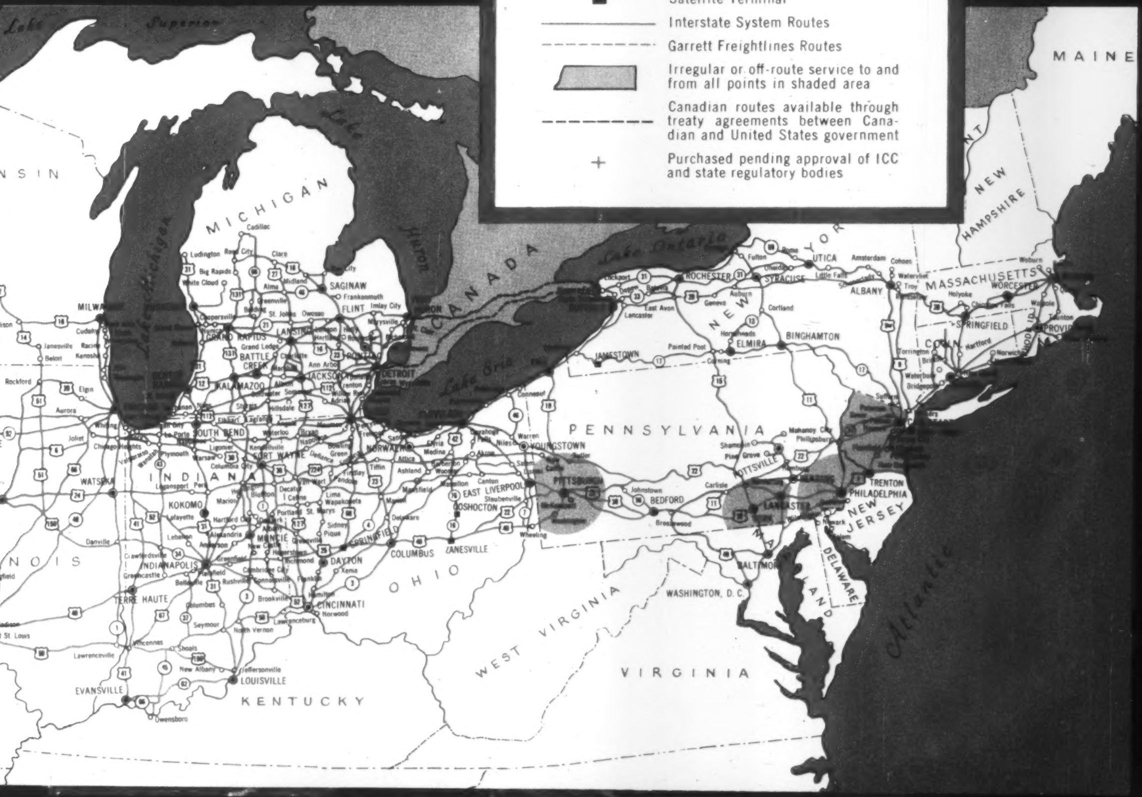
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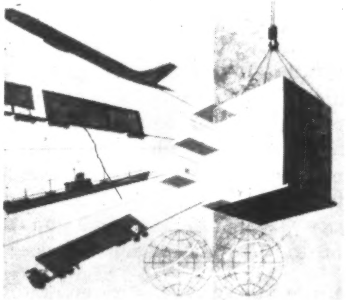
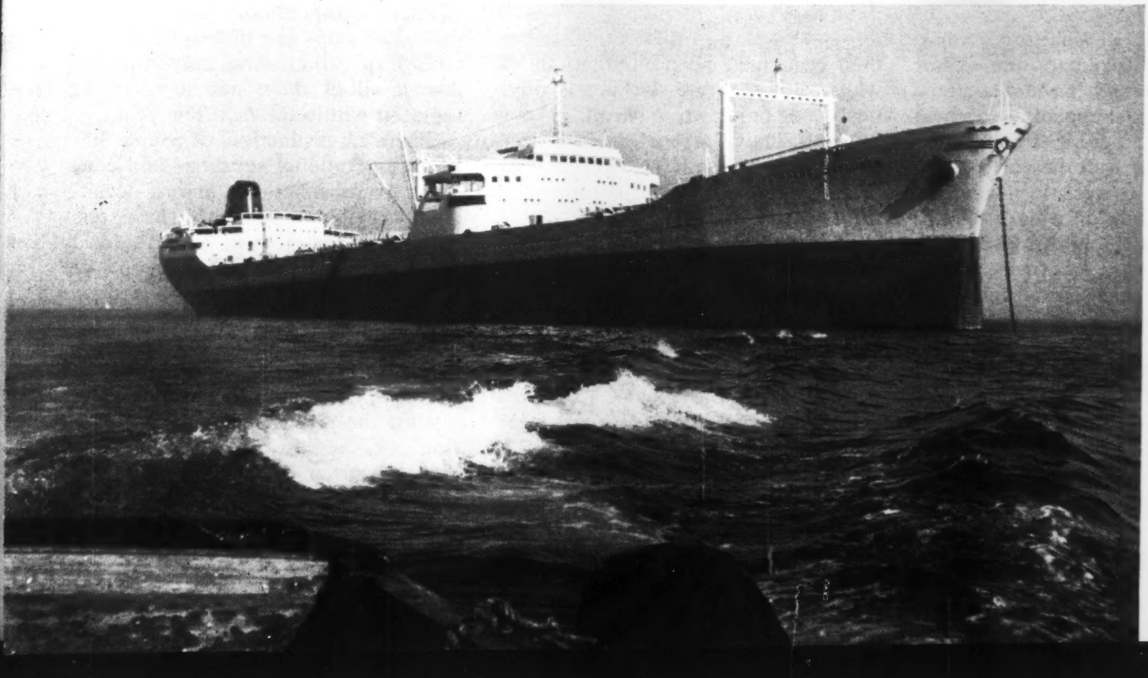


On the high seas, the international freighters look for a wave of new profits. Along the coast, there's hardly a cargo in sight. But on the inland waterways? There, the barges tow in more business year by year.

NOTHING MAKES Walter C. Isbrandtsen happier than the sight of one of America's many rusting, overage merchant ships. A burly, dynamic man who is vice-president of the famed Isbrandtsen Lines, Walter Isbrandtsen sees those outdated ships in ports all over the world. Generally, they are lying next to spanking new foreign vessels. And to him that contrast adds up to one thing: profit.

"Look," he says, "the American ships were all built during World War II, and the foreign vessels are new. But now, there's a revolution coming in shipping. We're all set to replace our ships—but the foreign ones are too new for that."

So Isbrandtsen dreams of building a ship within the next few years that will handle two and a half times more cargo than a regular freighter. The secret: facilities for containers from bow to stern. Not that Isbrandtsen plans to wait. This August, his line will be saving $3,000 a day on its round-the-world freighter trips with 1,030 dual-purpose containers for his present ships. These metal boxes, bought at a cost of $2 million, can handle both bulk products and packaged freight. The first ones will be carrying rice from the West Coast to



ONLY 12% of our foreign trade moves to and from U.S. ports in American bottoms. Federal subsidies are necessary to keep our merchant fleets afloat.

Puerto Rico this summer and Isbrandtsen will eventually be sending them around the globe, cutting the time needed for the trip from 140 to 100 days.

Besides this, Isbrandtsen sees the containers opening the way to new customers, since he'll be able to take on cargo that's unprofitable by the old break-bulk methods. And, he points out, shippers will get a better price as well. Rice in containers, for instance, goes at $20.75 vs. $32 a ton in 100-lb. bags.

Fighting for the freight dollar

Isbrandtsen's optimism is washing over the decks of the entire U.S. merchant marine. With the ballast of containerized cargoes and Government subsidy, American steamship companies are out to win back the export trade. Eyeing the other water carriers, and what's been happening to them lately, the ocean-going freight lines can see only too well the cost of falling behind the competition—and the rewards of putting up a hard fight.

The nation's shipping industry today is a study in contrasts. There are the once-proud coastal and intercoastal lines. Today, their fate hangs on the decision of Government officials, and if Washington decides the price of preserving them comes too high, they will go the way of the clipper ship and the Pony Express.

On the other hand are the nation's barge operators, towing ever heftier cargoes over the inland waterways. In modernized vessels on channels kept shipshape by the Federal Government, they are drawing profits that are the envy of the whole transportation industry. The export liners are determined to take the same tack.

They know that international shipping charges take the largest part of the $2.5 billion that U.S. shippers give the water carriers each year. But they know, too, that they aren't collecting enough of those charges. Only 11.7% of U.S. foreign trade went in U.S. bottoms last year—a paltry achievement compared to, say, the British merchant marine, which handles 70% of the United Kingdom's exports.

In the past six years, U.S.-flag ship lines have been chopping their rates to get cargoes—despite the fact that their costs have been climbing all the while. But the rate-slashing is obviously beginning to pay off in new business. Only 7.4% of the U.S. merchant marine was lying idle for want of cargo early this year, compared to 10% two years ago.

To boost revenues, American ocean freight companies are now engaged in the most ambitious peacetime ship-building program in U.S. history. It calls for replacement—at a cost of $4 billion—of nearly one-third of the entire fleet of 1,028 vessels, today made up of 36 passenger-cargo ships, 664 freighters, and 328 tankers. Of this total, 308 are operated by the fifteen shipping companies that qualify for Government construction subsidies, which are slated at $338 million for fiscal 1962.

Prompting this big renovation are the hard lessons of the past. Back in 1935, U.S. cargo ships carried 35% of our foreign trade. By 1946, when the fleets of other nations were still devastated by war, 65% of American exports went out to sea in U.S. bottoms, and in the years immediately following, the great aid programs—UNRRA and the Marshall Plan—kept our freighters plying the seven seas.

Then came the lean years. The export shipping industry was one of the first to feel the impact of low-cost foreign competition. Ship after ship was transferred to foreign registry to avoid high U.S. labor costs. The merchant marines of tiny countries like Liberia and Panama swelled, and today there are 460 American-owned-and-controlled vessels flying "flags of necessity" (which the maritime unions prefer to call "flags of convenience").

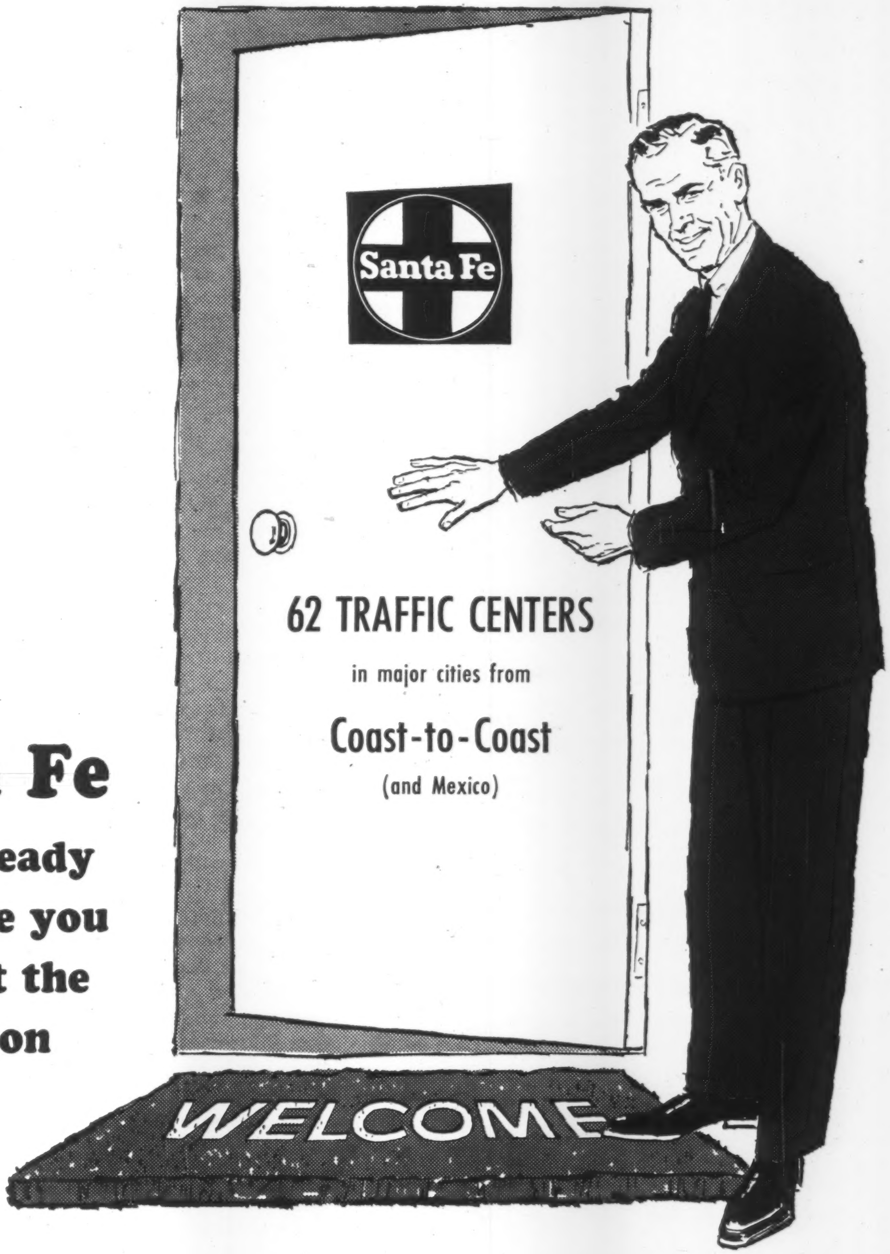
Uncle Sam pays the piper

What the high pay of U.S. seamen has meant to the nation is clear from a glance at the Federal budget. Last year, the Government paid U.S. lines an operational subsidy of $130 million. A full 88% went to make up the difference between American seamen's wages and the pay of foreign seamen in competitive runs.

But the Federal Maritime Board grants operating-differential subsidies only when a foreign trade route is declared essential to the national interest. The owners of non-subsidized lines must pull their way as best they can against the tide of high labor costs and the competition. Almost all of their 350 ships are of World War II vintage or earlier. And, consequently, almost all of them will have to be replaced within the next few years.

There's a distinction, of course, between operational subsidies and construction subsidies, but among ocean-going freighters, you don't have one without the other. And the subsidized lines have a big advantage: From the Government, they get back, at tops, 55% of the entire cost of their vessels if they have them built in a domestic shipyard, thus helping to keep the U.S. shipbuilding industry alive against the rigorous foreign competition. (There are 79 large merchant ships on order or under construction in the U.S.—all with subsidy funds.)

Yet he who pays the piper calls the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ORIGINAL PREFERRED STOCK
Dividend No. 208
65 cents per share;

CUMULATIVE PREFERRED STOCK, 4.32% SERIES
Dividend No. 57
27 cents per share.

The above dividends are payable June 30, 1961, to stockholders of record June 5. *Checks will be mailed from the Company's office in Los Angeles, June 30.*

P. C. HALE, *Treasurer*

May 18, 1961

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tune, and in mid-April, the Federal Maritime Board announced that no new containership would qualify for a construction subsidy unless it was built to handle containers approved by the American Standards Association. These, announces the ASA, must have cross sections of 8 x 8 feet and measure 10, 20, 30, or 40 feet long. The ruling, predicts the FMB's chairman Thomas E. Stakem, will make containerization even more popular by "opening the way to complete interchangeability between rail, highway, and sea transport media."

Most of the 20,000 van containers in use today are in marine operations, and the shipping industry provided a good part of the steam behind the ASA's efforts. To steamship companies that guessed right, the Board's dictum is good news indeed.

The Board's move to bring order out of near-chaos is also an acknowledgment of how containerization has spread. Today, giant truck-trailers emblazoned with the names of U.S. shipping lines trundle through the streets of Tokyo and the other great cities of the world. The metal boxes astride them were sealed on a shipping dock of a U.S. factory, trucked to the rail yards, shipped by train to the pier, and crossed the Pacific without ever being opened.

So far, the U.S. is far ahead of other countries in containerization. And door-to-door service that takes a sealed shipment halfway round the globe is proving a big boon to American industry. One Midwest manufacturer snared a huge order in the Near East mainly because he could send the complex electrical equipment in sealed containers.

Big savings at shipside

But the benefits that the metal boxes hold for shipping line customers are nothing compared to those they've brought the lines themselves. Look at dockside operations, for one. Forklifts and roller conveyors have speeded them up in recent years, but they eliminate only a few steps in the age-old process of moving cargo piece by piece across the dock. Even on semi-mechanized piers, it takes a lot of manual labor for the traditional break-bulk operation—and it costs about $3.90 a ton to get the cargo into the ship's hold.

Containerized cargo, on the other hand, goes aboard for 35¢ or 40¢ a ton. The savings in time are just as dramatic. It takes a 23-man gang one hour to load 25 tons by hand. They can handle 300 tons an hour of containerized cargo, and if the boxes—often with below-maximum load—were loaded to their full capacity of 30 tons, the same gang could handle 500 tons in 60 minutes.

In addition, damage claims are only about 1.6¢ a ton. Those on shipments loaded by hand are often twenty times higher. Pilferage—the plague of all ports since time immemorial—is being reduced from millions a year to virtually nothing: containers are sealed at the shipper's door, stay closed until the consignee accepts delivery.

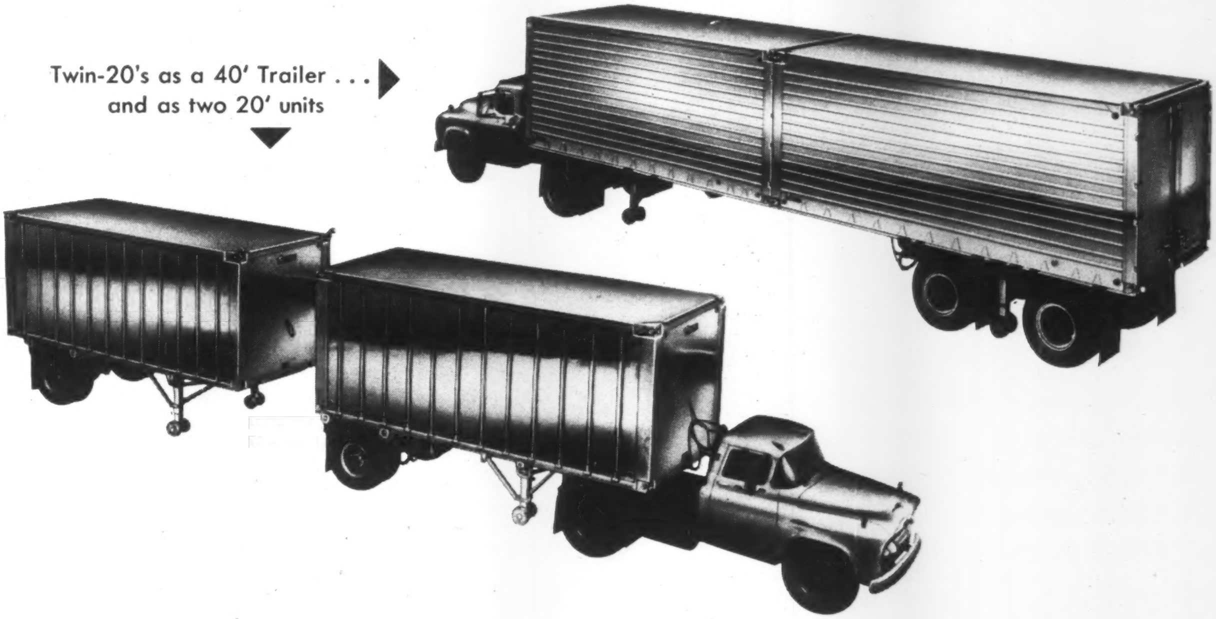
Like Pandora's box, though, the containers hold trouble as well as profit for shipping lines. For one thing, truckers object to the 10% extra weight of marine containers, which are braced in the corners so that they can be stacked one atop another in the hold. The shipping companies themselves find the containers cut the available cubage on a vessel by over a third, particularly when the boxes are fitted into a specially made cell, instead of being stacked.

Trouble on the docks

Both of these problems will yield to solutions. But no one has yet discovered any mechanical way out of the real problem of containerization—how to make a rough docker who's set in his money-making ways take kindly to a method that's cutting down jobs.

The irate longshoreman is not peculiar to American docks alone, as Grace Lines has learned only too well. Grace pioneered the all-container ship in foreign trade with a $15 million investment in nearly a thousand containers and two reconverted C-2's to carry goods to and from Venezuela. Both vessels have now been laid up for over a year because Venezuelan labor refuses to handle containers.

The line is nonetheless convinced that the metal boxes are here to stay, and Grace is going ahead with plans to build three combination container-general cargo ships. Neither, for that matter, are the other shipping lines put off, even though they've had their share of labor troubles. West Coast steamship lines have already bought their peace with Harry Bridges' International Longshoremen's and Warehousemen's Union. For a price of $27.5 million, spread over a five year period, they've gotten the union's



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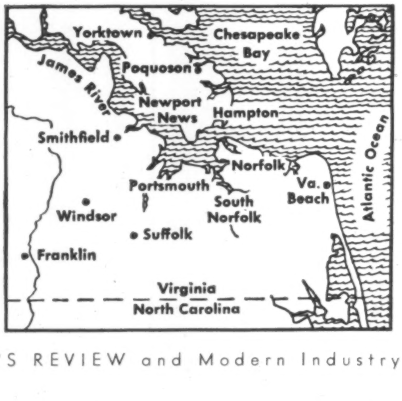
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agreement to containerization and other new methods. The money goes into a fund set up to soften the effects of labor displacement. In return, the union has cut the number of men on a crane-operating gang down to eight.

Now the East Coast shipping companies have set up a joint committee with their longshoremen. It's already clear, though, that a lot of the money the cargo lines save with containers will go to sweeten the temper of the men the containers eliminate. In New York, the International Longshoremen's Association collects "royalties" of from 35¢ to $1 a ton for containerized cargo. Even so, the companies say the agreement is worth the price. Before it was reached, workers on the New York piers unpacked and repacked containers before they'd handle them.

There's another reason, too, why the cargo lines are willing to pay so high a price for the union's consent. "Even if the containers don't make much of a dent in our dock labor costs," says Harry Hunter of the States-Marine Steamship Co., "they're enabling us to turn our ships around more quickly. It costs us a minimum of $2,500 a day for a ship to remain in port," he notes. "We hope to reach the point where five vessels will be able to handle as much cargo as eight do today."

Breaking the time barrier

All the freighter companies are eyeing statistics like those with just as much enthusiasm. For Isbrandtsen, the cost of keeping a ship in port runs close to $3,000 a day, exclusive of cargo-handling charges, and it takes the line seven days to load a breakbulk ship carrying as much as a containership that can be loaded in 12 hours.

At American President Lines, built-in gantry cranes will be lifting a container aboard every two and a half minutes when the Fruehauf Trailer Co. fills its $1.2 million order for 420 van containers. They'll go on four ships that travel routes to the Orient.

And Matson Navigation Co., which last year launched the first containership to carry goods between the Pacific Coast and Hawaii, now has a new gambit to cut turn-around time. On a newly converted C-3 that's been rechristened the SS Hawaiian Fisherman, Matson has built multi-level steel platforms like those in stack-

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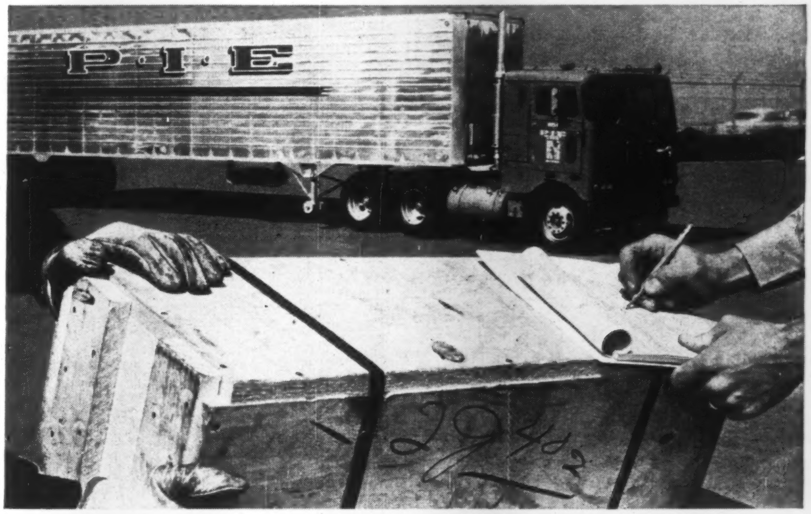

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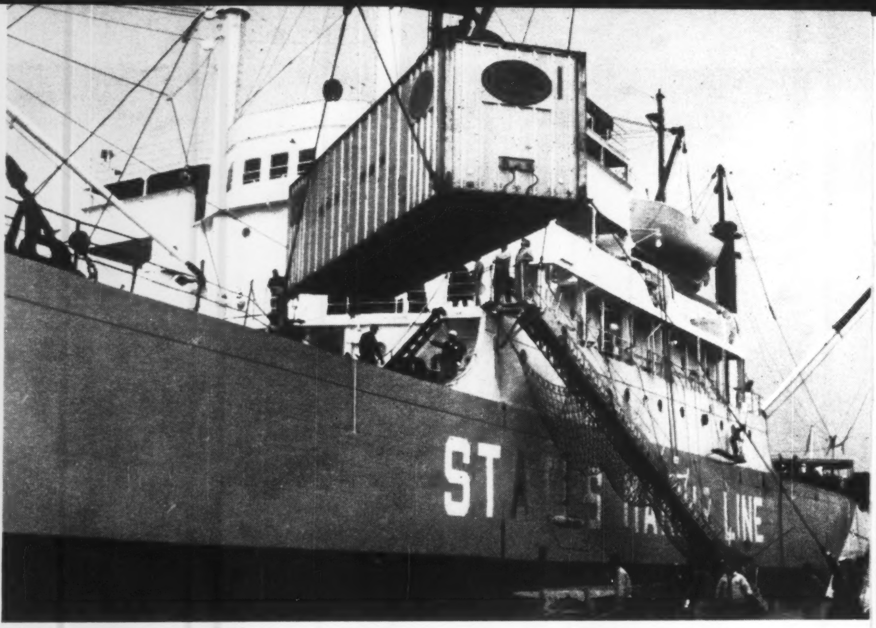
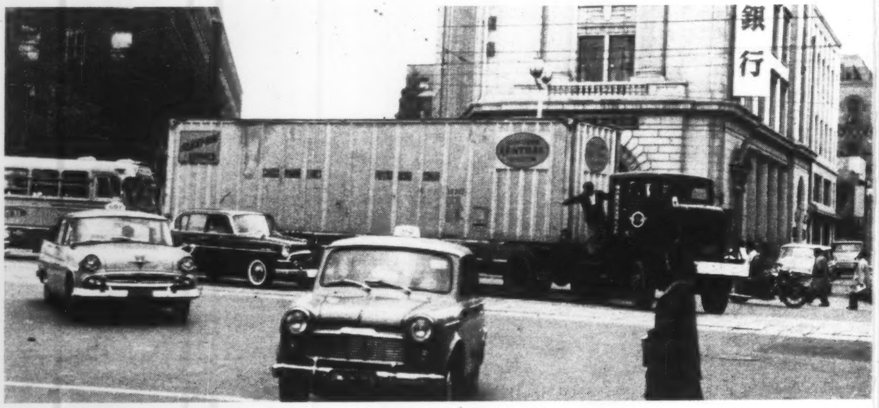
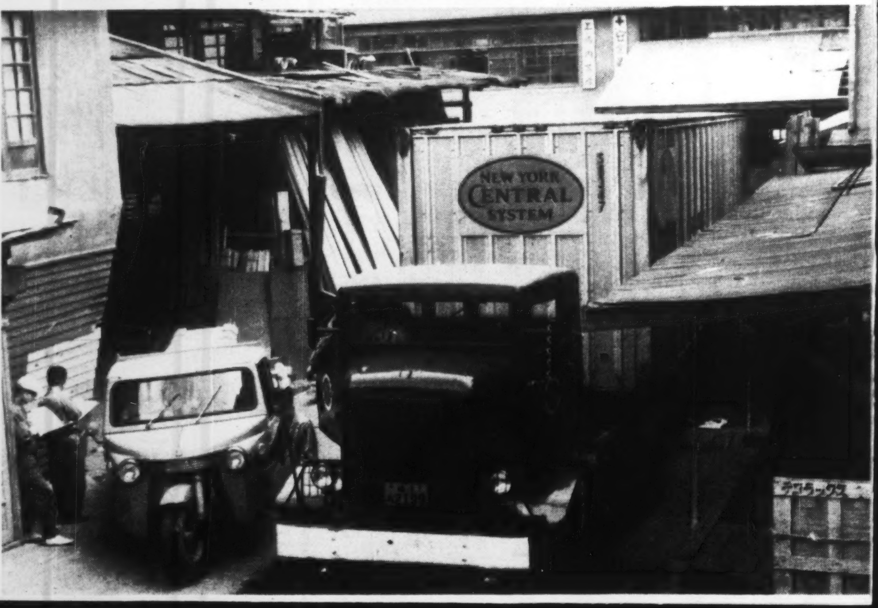


HEADED FOR JAPAN, this van-size container started its journey by truck, came by rail to New York City, then was trucked again to the dockside.



DWARFING TOKYO TRAFFIC, the container nears the end of its 9,000-mile trip, still sealed tight as it was when it left the shipper's factory.

BACK TO THE U.S., with a load of transistor radios, the container, which the shipper leased, travels without intricate combined rate-making.



'em-up garages. As soon as the boat's unloaded at the San Francisco pier, 464 new cars are driven into their niches. The vessel's ready for its return trip in record time.

But the cargo lines aren't stopping there. By law, they get at least half the shipments that leave the U.S. as foreign aid or under other types of Government sponsorship. Now they are pressuring Washington to use U.S. carriers even more.

The international trade balance being what it is, the Government is receptive to the idea, but the steamship companies obviously won't win more Federal cargoes without opposition. It's already coming, in fact, from the Great Lakes, where foreign lines have found profitable ports of call since the St. Lawrence Seaway opened.

How much weight will be given this protest is still unknown. It's clear, though, that the Government—for obvious strategic reasons—places a lot of importance on building up the U.S. merchant marine. And just how much its backing means is underlined when you contrast the high-sailing ocean-going freighters with the coastal and intercoastal lines.

There's no one in Washington charged with promoting the coastal shippers as an industry. Their affairs are merely regulated by the Interstate Commerce Commission, and the ICC, as the coastal shippers point out, was originally established for the railroad industry, their biggest rival. It is still staffed more with ex-railroaders than anyone else.

Circumstantial evidence

What does ICC regulation have to do with the hard luck of the coastal and intercoastal lines? "Back in 1939—just before the ICC took jurisdiction over domestic water carriers—there were 143 ships and a total cargo of 6 million tons in intercoastal trade," an executive of one of the lines points out. "By 1958, that tonnage was down to 82,000 tons. The next year, it had shrunk to 9,000. Now there's none at all."

In coastal operations, there were 235 ships with 27.5 million tons of cargo back in 1939. By last year, only 37 vessels were left, and Coastwise Line, the last water common carrier on the Pacific Coast, ended operations.

Since 1959, in fact, there's been nothing but red ink on the books of the four coastal and intercoastal lines

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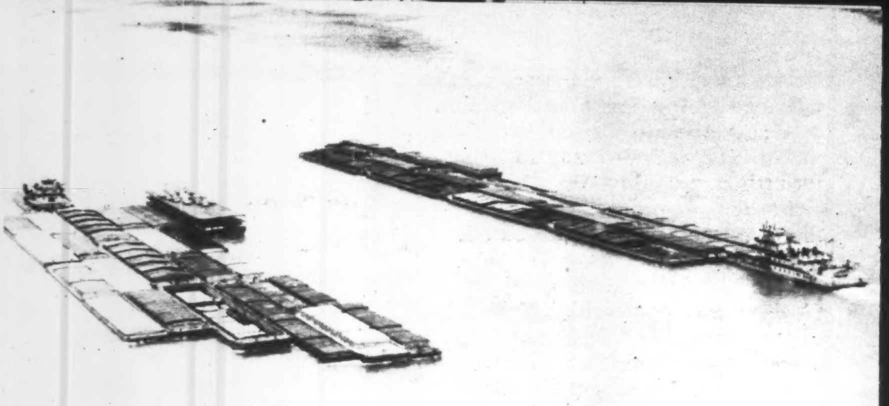

STEADILY PUSHING ALONG a growing volume of business each year, the barge lines are the most prosperous of all carriers that move cargo by water.

—Coastwise, Luckenbach Steamship Co., Sea-Land, and Seatrain. It was too much for Luckenbach to take. The 110-year-old company, last of the intercoastal carriers, has now given up domestic operations, will concentrate instead on its foreign trade. "We were driven out of the business of carrying canned goods from California to the East," says President Edgar F. Luckenbach, Jr., bitterly. "What did it? The actions of the ICC in favoring the railroads' selective rate cutting—and the lack of action by the Federal Maritime Board on our application for mortgage insurance to convert six tankers to containerships."

And then there were two

An ICC examiner recently warned that a full-scale rate war is threatening the very existence of the last two remaining coastal shipping lines—Seatrain and Sea-Land. In recommending that the Commission not allow the railroads to slash rates on plastic products moving from Texas to the East, the examiner stressed that what is now the inevitable question must soon be decided: Are the coastal lines to survive or no?

The East Coast railroads recently put through rate reductions on paperboard from Savannah to New York that almost knocked both Seatrain and Sea-Land out of this business. Despite such setbacks, and Luckenbach's hard experience not withstanding, Sea-Land is considering a try at intercoastal service, and a new company, Pacific Trailer Ships, Inc., may try to revive the shipping business along the Pacific Coast.

The outlook, however, is bleak for such ventures, as the Erie & St. Lawrence Corp. learned this spring. After six months, it had to suspend containership service between New Jersey and Florida, even though it seemed to have a sure-fire idea. The company had had two ships specially constructed to carry 200 containers apiece, the first to be specifically designed from the keel up just for containers. Forklift trucks cut the loading time to four-and-a-half hours, and Erie and St. Lawrence was giving Northern industry third-morning delivery to Florida customers.

What went wrong? Noting his losses, President Harry Moore, too, points the finger of blame in just one direction. "We couldn't keep competing," he says, "after the ICC approved the railroads' selective rate-cutting."

What Seatrain's President John L. Weller calls "the railroads' rate war against the coastal carriers" is now so intense that fully two-thirds of all railroad traffic in direct competition is being carried at a loss. "The ICC has the duty under law," says Weller, "to protect the domestic merchant marine against the railroads' vicious selective rate-cutting. They're obviously trying to eliminate the coastwise steamship industry completely, and in its overwhelming concern with the rails' welfare, the ICC has completely neglected its duty."

"If you can't lick them . . ."

Seatrain's scrap with the rail lines hasn't stopped it from working out a joint rate with four railroads to carry van containers between the Northeast Coast and the Gulf states. But Weller is still irate at what he calls the "downright refusal" of more than 100 railroads to publish joint rates for cargo that is moved both by rail and by his vessels. Joint rates are a decided lure to shippers. They reduce paperwork and center the responsibility for tracing and damages for the

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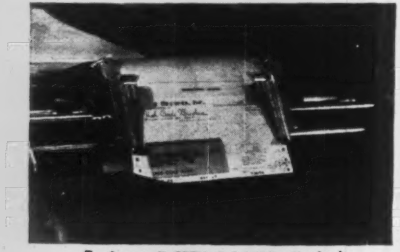
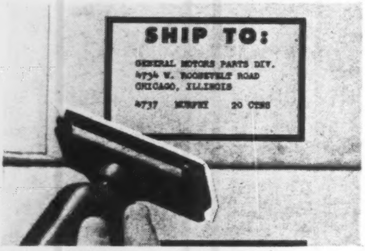


Typing unit STEN-C-LABLS attached to continuous form on tabulating machine.



Addressing direct to PANL-LABL on carton is fast and easy.

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2 By making unlimited impressions direct to cartons, labels or tags

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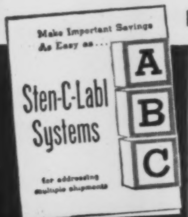

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shipment on one carrier, which attracts business.

Rail rates are a bitter subject in general to many coastal line men. "Hundreds of rail rates have been reduced for the sole purpose of diverting freight from our line to the railroads," charges Sea-Land's President Malcolm P. McLean. "There can be no mistake about this. All the rail rate proposals covering these reductions have specifically stated that was their purpose."

An eye to profits

Ever since the Transportation Act of 1958 stipulated that the ICC could not keep one carrier's rate high just to protect another mode of transportation, the Commission has been worrying more about whether a lower rate would still return a profit than about its effect on rival companies. The ICC doesn't exactly ignore the Transportation Act of 1940, with its structures against "unfair or destructive competitive practices." It just doesn't mind rate-cutting as much as it once did.

This has created a problem for the inland water carriers as well as the coastal lines, for the rails have been reducing rates on a lot of commodities that the barges haul. Still, barges give a return on investment that is more than double the railroads'. They may move slowly as they wend their way down rivers and canals, but when it comes to getting customers, it's a different story, and in the past decade the inland waterways operators have boosted business at about twice the average rate of all other forms of transportation.

Back in 1946, they accounted for only 3.1% of all intercity ton-miles. This year, their share will rise to about 9%. They've also broken out

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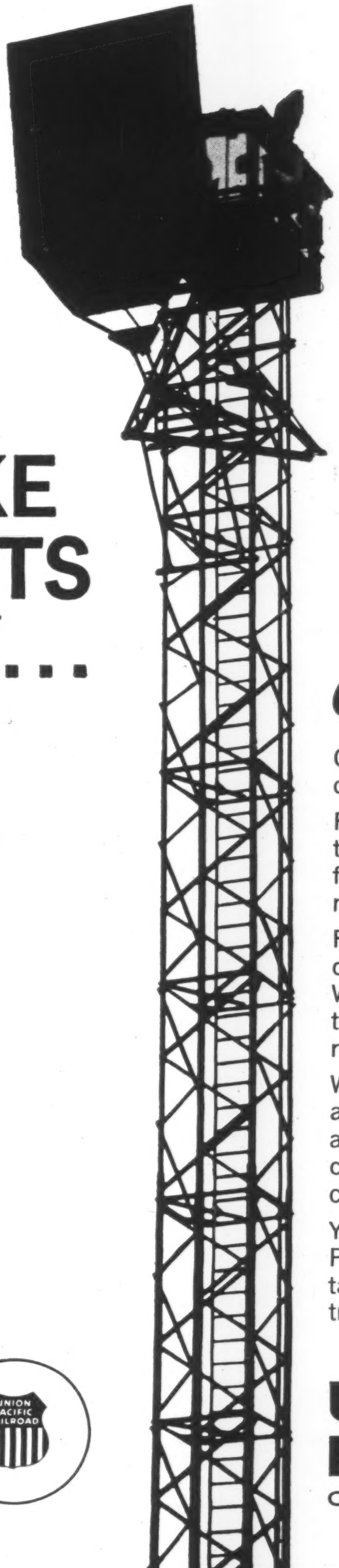

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of their traditional routes from east to west and west to east, across the nation—traditional, that is, ever since the paddlewheeler vanished from the Mississippi and the whistle of a locomotive supplanted the steamboat's throaty call. Now, especially since the Great Lakes have been opened to international trade, the cargo boats are back on the Mississippi River system in ever-growing numbers.

The old river boats have sailed off all channels except TV. In their place are blunt-bowed, 200-foot diesel towboats with as much as 8,500 horsepower, pushing along about 30 integrated barges that fit together like pieces in a jigsaw puzzle. Tows on the Mississippi and the Ohio are now often a quarter of a mile long, and each can tote a load of 30,000 tons.

It would take 600 box cars—the equivalent of six freight trains—to carry cargoes like that, and the railroads don't like what they see on the rivers. Even though the inland watermen had a 10.8% drop in revenue last year—at a time when tonnage went down only 1.4%—they'll be handling more freight this year, much of it shipped by the rails' old customers.

No holds barred

However much the railroads resent this competition, the water carriers thrive on it. There is active bidding for cargo among barge line operators themselves. Unlike the steamship lines, truckers, and railroads, they are not insulated from intramodal competition, and there is no rate regulation on bulk cargoes if the vessel or tow carries no more than three bulk commodities, or no non-bulk commodities at all. As a result, 90% of all inland water tonnage moves without rate regulation.

The ICC says this is unfair to regulated barge operators. Still, the largest of the inland water carriers—American Commercial Barge Line Co.—draws about 60% of its revenues from regulated waterway traffic.

Clearly, American Commercial hasn't been put down by the unregulated carriers. For one thing, the flexibility of rates among the barge lines has brought new customers to all the inland watermen. They carry bauxite, manganese ore, and copper from South America to mills in the Midwest. They haul grain back again. And in the past decade, many big producers of such bulk commodities

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as chemicals and building materials have put up plants along the rivers and canals of the U.S., shifting their traffic from the rails just because they are able to auction it off to the lowest bidder.

The regulation-ridden railroads cry "Unfair!" But since they can't lick the barges, they're getting more and more anxious to join them. Just this spring, the Norfolk and Western Railway Co. and the Chesapeake and Ohio Railway Co. announced they were going to buy out a coal-hauling barge line on the Ohio River.

The deal is subject to ICC approval, and there's little doubt that the water carriers, the truckers, and the airlines will be lodging protests. The financial resources that a railroad can bring to barge-line operations are, of course, enormous. This, in fact, was the reason that an ICC examiner cited earlier this year, when he recommended that the full Commission turned down the Union Pacific and Illinois Central Railroads in their bid to acquire the John I. Hay Co.'s barges to haul goods from Chicago to Texas.

Diversify or die

To the railroad industry, now denied the right to diversify freely, each move that blocks them from acquiring another business pushes them one step nearer disaster. They have only to point to the barges themselves to show the earnings diversification can bring. American Commercial, for instance, saw the rails winning back the new automobile deliveries which it had been making with its vessels. So it started a trucking subsidiary and last year earned a quarter of the company's gross by trucking cars out to the West Coast and farm produce back again.

Every time the rails propose a similar move, they meet solid opposition from the rest of the transportation industry, for it is a business where there are long memories. To the barge line operators, the entry of railroads into river traffic would be a repetition of the bitter experiences of the post-Civil War years, when the young, robust rail companies bought up the old boatmen and swamped the industry.

Resuscitated, that industry today looks to protection from the Panama Canal Act of 1916—which forbids railroads to operate barge lines without ICC permission, and without reducing competition among the water carriers. The rails counter this argument by pointing to what they call the barges' "subsidy"—their free right of way on rivers and canals maintained by the Federal Government.

It's small wonder, the railroads say, that barge traffic goes at an average rate of 4/10ths of a cent a ton-mile, compared to over 1¢ for the rails and close to 6¢ for trucks. Daniel P. Loomis, president of the Association of American Railroads, calls for tolls on the inland waterways—the only way, he says, that justice can be restored. "Then the facilities would be paid for by those who use them," Loomis continues, "not by the overburdened taxpayer. As it is, we encourage duplicate and expensive transportation facilities, built at public expense for private gain."

The imposition of tolls or user charges, counter the bargemen, would raise ton-mile costs 50%. And, they add, there'd be a widespread boost in rail rates if competition from the barges was weakened.

Their argument had little effect on Gen. Doyle, however. His report to the Senate Commerce Committee recommends user charges on channels, such as the upper reaches of the Mis-

Why Barges Bid Low

- Each ton of barge capacity costs $120, compared to $320 for railroad cars.
- The average barge loads five times its weight, the average boxcar only twice its weight.
- A 6,000-hp diesel towboat can move 30,000 tons, a 6,000-hp locomotive only 6,000.
- A barge uses 316 gallons of fuel per 1,000 ton-miles vs. 420 gallons for the rails.
- For each crew member, a barge gets 11 million ton-miles, compared to 3.5 million ton-miles for each freight train crewman.

There are, too, the maintenance and repair costs per 1,000 ton-miles: towboats—22¢, barges—12¢, locomotives—62¢, freight cars—93¢.

Yet there's one comparison that comes out in the rails' favor: Not only is the average speed of barges lower but, in addition, the water routes are longer. It's 1,000 railroad miles from Pittsburgh to New Orleans, for example, but 1,700 miles by river.

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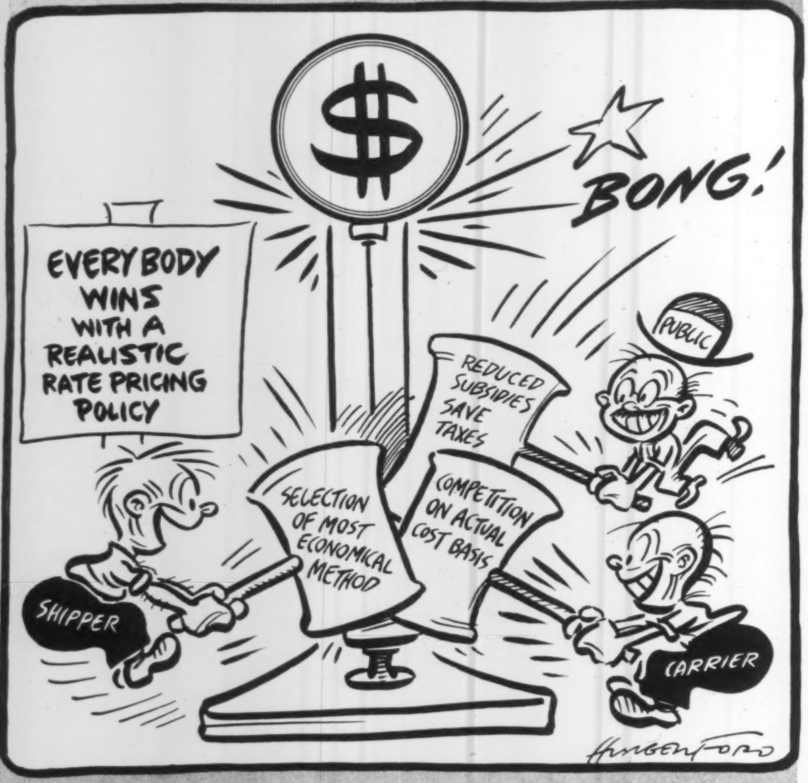
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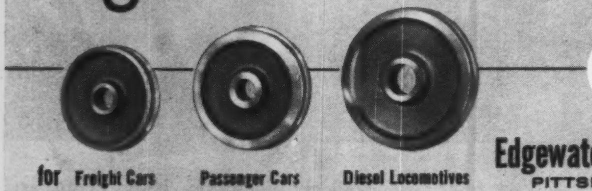

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sissippi, that are kept navigable only by much effort—and high Government investments.

The Doyle report has had little practical effect to date, and to meet future transportation needs, the U.S. Army's Corps of Engineers, which is responsible for construction and maintenance of inland waterways, has called for $7.9 billion to improve them. According to the Engineers, channels less than 9 feet deep—about one-half of the present 29,000 miles of inland waterways—are now antiquated and must be updated.

Far from being antiquated, however, is the equipment used to move traffic on these channels. Today, multi-engine towboats can be repaired on the run, thus keeping the boats out of the yards. Crew quarters are air-conditioned, engine rooms soundproofed, and pilot houses cased with glare-proof glass. The 4,200 diesel towboats that ply the inland waterways come equipped with radar, depth-finders, gyro-compasses, radio-telephones, electronic steering controls, high-power searchlights, and multi-station intercom equipment. Fair weather or foul, each can push (rather than "tow") as many as 40 barges at once.

Tailor-made toters

Today, too, there are many special-purpose vessels hauling goods for the watermen's new customers. Barges now move chlorine and anhydrous ammonia under pressure of 250 pounds per square inch. Insulated, they carry liquefied methane at temperatures as low as —258°F. At the other extreme, Thermos-type barges carry molten sulphur as hot as 350°F, while steam-coiled barges move molasses at temperatures high enough to keep it flowing. Some barges even move grain in one direction and petroleum on the return haul in the same tanks.

If they can keep the railroads off the rivers and the user charges away from their door, the barge line operators are confident they'll be hauling even more lucrative traffic in the future. The international shipping lines, they point out, have to work up a full head of steam before they can reach home port and the profits that await them. The coastal lines may fade away. But year after year, the slow flat barges, for all the shoals that lie about, set a steady pace that brings in tow both earnings and progress. END

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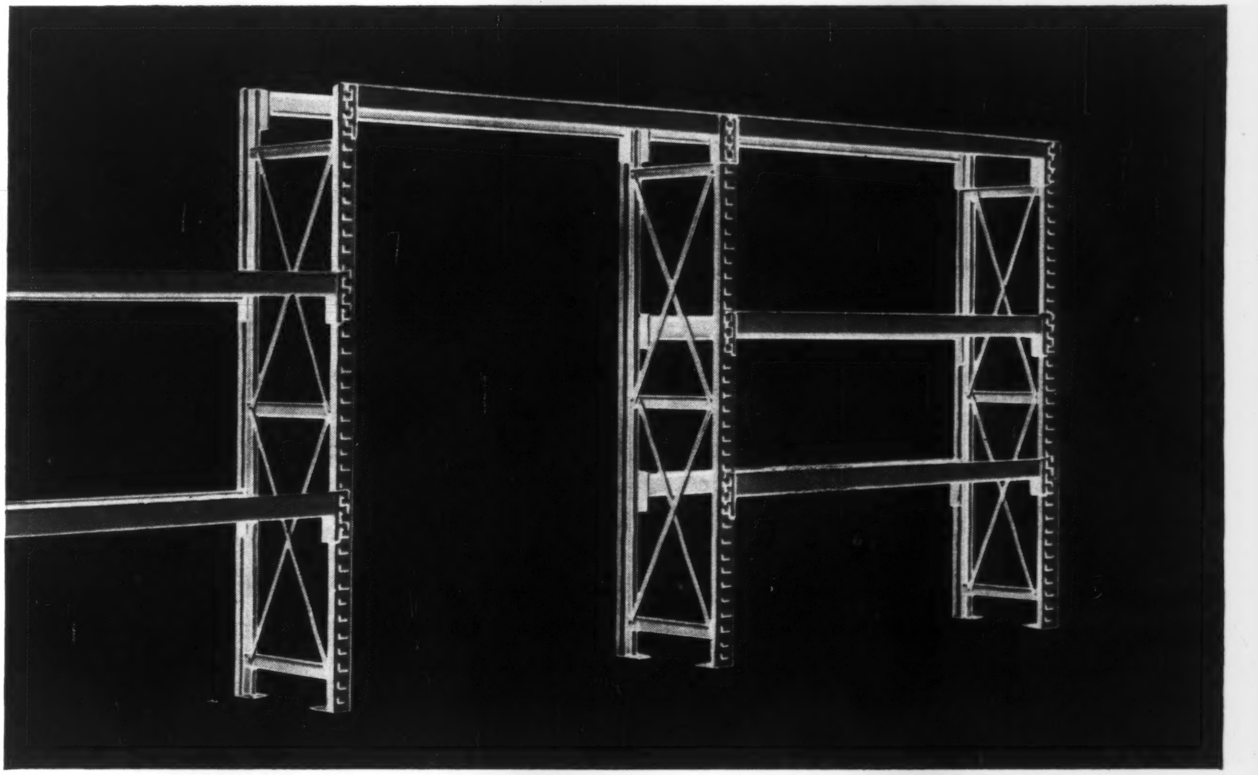

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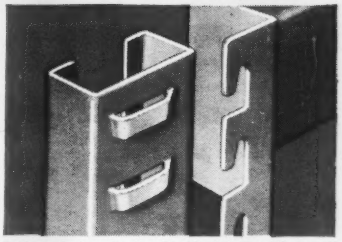

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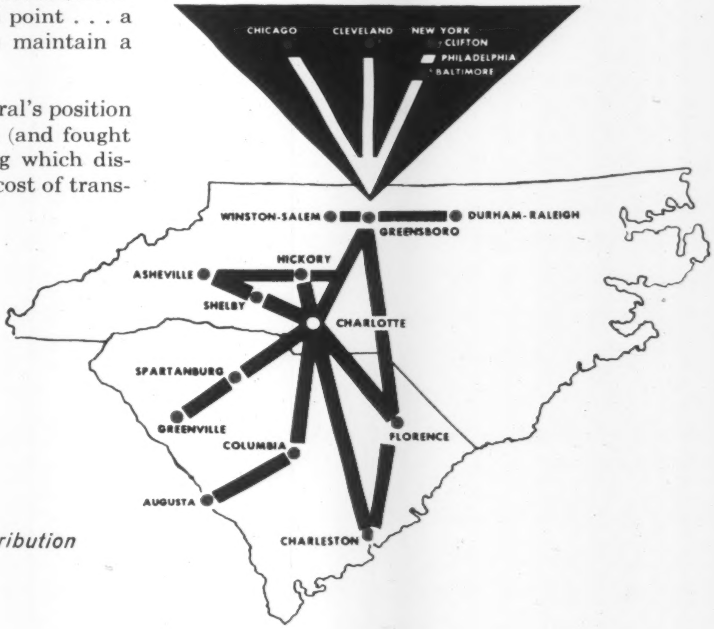
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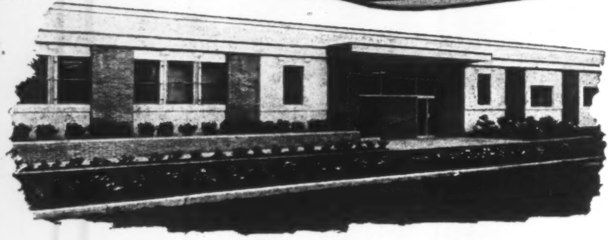

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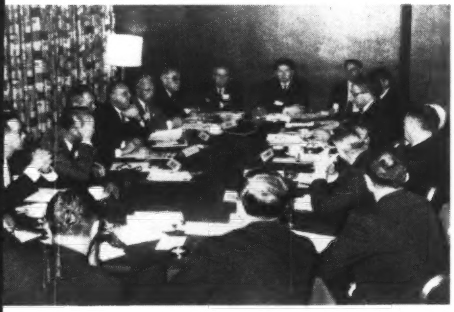
Around the Roundtables



To provide the background for this Special Report, Federal officials, Capitol Hill spokesmen for the major transportation groups, and executives from all over the nation gathered at DUN'S REVIEW editorial roundtables.

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Pittsburgh & Lake Erie Railroad
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First National City Bank of New York
CARL P. GREELEY
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National Distillers & Chemical Corp.
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States Marine
DANA KELLY
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Lever Brothers Company
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Economist
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Former Staff Director, Transport Study Group
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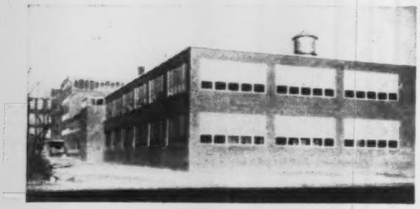

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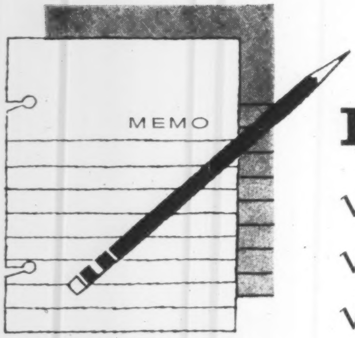

Personal Memo

√ *Country club tax savings*

√ *Novel vacations and travel aids*

√ *Summer reading and smoke-cooking*

THE BUSINESSMAN who knows all about his corporate and personal taxes may still be paying needless taxes on his country club dues. There is, of course, no way out of the standard 20% excise tax on all dues over $10 a year. But a little-known ruling by the Internal Revenue Service throws light on a situation that can benefit both member and club.

If, for instance, the club needs a new building—or wants to refurbish its old ones—members will not have to pay any excise tax on voluntary contributions. They also escape the tax if the club levels an assessment—provided that the money is used for capital improvements. This means that if your dues are $500 a year and you give an extra $250 to the building fund, you pay only the usual tax of $100.

In the specific case that came up for IRS review, the club had paid for building and furnishing a new clubhouse by drawing on its reserve fund and borrowing from a bank. Members were then asked to pay a monthly assessment, in addition to their regular dues, to repay both the club's fund and the bank loan.

What's especially interesting about the new ruling is the Bureau's agreement that building up the reserve fund was a legitimate reason for making the assessment tax-exempt. But IRS also laid strong emphasis on the fact that the exemption applied only when the money is used to 1) construct or reconstruct social, athletic, or sporting facilities, and 2) buy and install furniture and fittings in the new or remodeled club quarters. Assessments, to remain exempt, *cannot* be used for current operating expenses or to buy land.

Incidentally, it's even possible that some executives' dues have been raised unnecessarily if their clubs got caught in a prevalent chain reaction. When the IRS took tax-exemption status away from a country club that had opened its dining room to the public, many others throughout the U.S. got panicky.

By the board went the outside tournaments that add revenue to club coffers and hence keep members' dues from rising.

But this is being much too scrupulous, the IRS says now. Five or six outside tournaments a year are something quite different from going into the restaurant business (which, in effect, is what they outlawed in the first case). So long as the activities sponsored are those that a club can be expected to undertake, its tax-exempt status is secure. But, adds IRS, weekly bingo games which the whole town turns out for would be something else again. So keep club tournaments infrequent and sensible—and you can keep your own dues down.

• • •

In an age when most executives rigorously guard their health with diets and exercise, there's a growing danger that few of them even know exists.

It's a topic that, for reasons of delicacy, is usually kept shrouded. And consequently the very men who should be most on guard are ignorant of one essential fact: A proctosigmoidoscopic examination of the lower intestine can mean the difference between life and death.

Reason: Authorities on executive health report an upswing of lower-intestinal cancer. So, with the season for annual physicals about to break (the "slow" summer months are a favorite among executives), it's well to remember that a three-minute probe, uncom-

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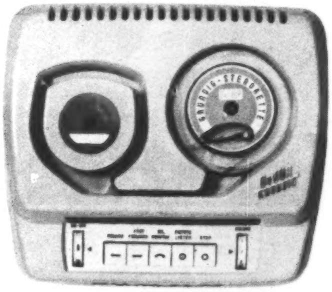

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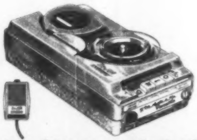

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Mr. Roger L. Main

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fortable but painless, should be routine procedure. Purpose of the probe is to check for polyps, small benign growths resembling elevated moles.

Some cancer specialists believe firmly that all polyps eventually become malignant. Others dispute this —but all authorities agree they should be removed immediately. Dr. Richard E. Winter, president of Executive Health Examiners in New York, reports nearly 10% of the men checked by his organization have such growths.

Does removing a polyp require major surgery? Absolutely not. The growth can be snipped out—painlessly and quickly—by a competent physician, almost always without aftereffects.

• • •

Looking for something different in vacations? Then examine the regional summer specialties. And for one of the best of these, turn to Minnesota, where houseboats are up for hire on many of the major lakes.

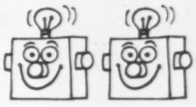
Shades of the water gypsies notwithstanding, today's houseboats are clean, comfortable—and in many cases, luxurious. A man can go fishing without his wife's moaning over primitive conditions, for the facilities are those you'd find in any good apartment hotel. If you want him, there's even a guide available who'll cook the food that's included in the rental.

The houseboats vary in size—and so do the fees. Most range from $14.50 to $18 per person a day, though some run as low as $80 a week for families which do their own housekeeping. The boats sleep anywhere from four to sixteen people, depending on the lake you choose, and several boast sundecks as well as tip-proof hulls. The Chamber of Commerce in Ely, Minn., can supply the names of boat liveries, what they offer and charge, and which fish run where.

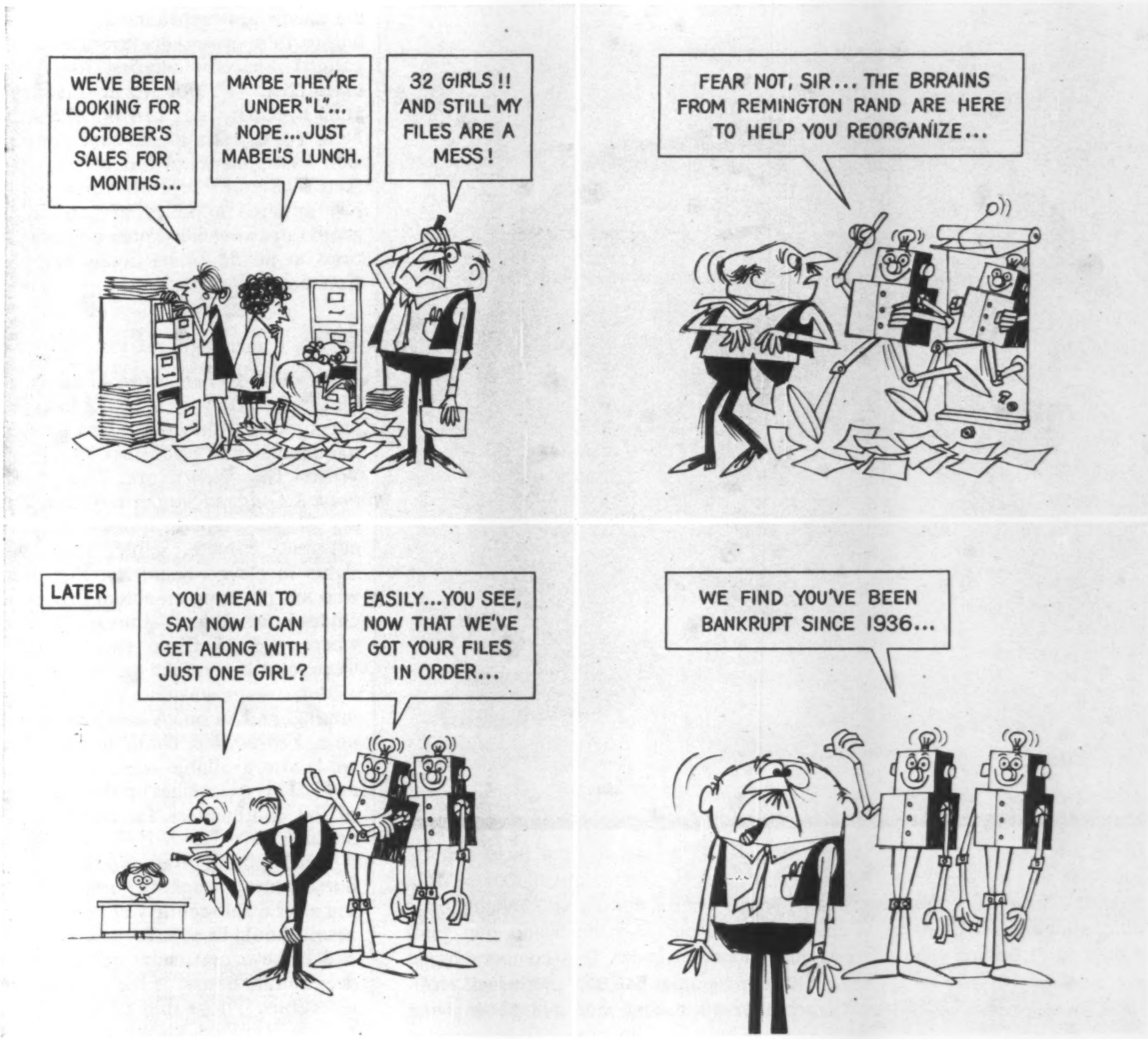
• • •

Whatever your destination, there are several new aids and services that travellers should know about: One of them will be especially welcome to men who wear glasses—the first binocular with a lens system that compensates for the distance between the eyes and the binocular when your glasses are on. The new Zeiss 8 x 5, priced at $249, converts from a high

DO YOUR FILES HAVE THAT TIRED, CLOGGED, OVERSTUFFED FEELING?



THEN SEND FOR THE B**RR**AINS FROM REMINGTON RAND


WE'VE BEEN LOOKING FOR OCTOBER'S SALES FOR MONTHS...
MAYBE THEY'RE UNDER "L"... NOPE... JUST MABEL'S LUNCH.
32 GIRLS!! AND STILL MY FILES ARE A MESS!
FEAR NOT, SIR... THE BRRAINS FROM REMINGTON RAND ARE HERE TO HELP YOU REORGANIZE...
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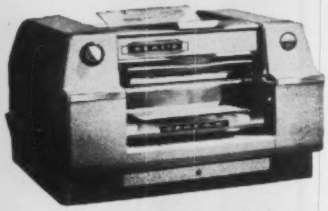

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position—for those with normal vision—to low position for the bespectacled. . . . Camera fans should note that a new process called "Permacote" will fix the color on transparencies or Kodacolor enlargements. Colorless, the chemical is guaranteed to prevent fading. Film processors throughout the country are now offering it—at no extra cost. . . . For world travellers, John F. Rider, Inc., 116 W. 14 Street, New York, has a global time conversion "simplifier," priced at $1. . . . And Sheraton Corp. of America has just initiated a policy of confirming room rates as well as space on reservations at all 58 of its hotels here, in Canada, and abroad.

• • •

Armchair travellers, as well as the venturesome variety, will have a fascinating summer if they delve into the new handbooks just published by H. W. Wilson Co., New York. One, *Yearbook & Guide to Southern Africa,* covers the government, history, religion, customs, climate, game, flora and sights in eleven countries. For those who are planning an actual trip, it includes information—unavailable elsewhere—on where to stay, what to wear, and how much to pay; as well as color maps and data on industries, mining, and so on. A companion volume, *Yearbook & Guide to East Africa,* is also available—and also priced at $3. This one ranges up the east coast of the continent as far north as the Sudan.

New gambit for entertaining at home: smoke-cooking, now flourishing after a half-century of neglect. The result should be as savory as the steaks and turkeys that came out of a pioneer smoke house, if the chef follows directions. Those that come with the mobile Bretford smoke oven (price, $49.95) call for outdoor cooking with any kind of wood save pine or eucalyptus. (Apple, cherry, orange, and lemon wood are especially recommended.) Once the fire is going and the meat is skewered or on the grill, chips of green or damp wood are added to make the smoke—and impart the flavor.

Home owners, incidentally, can now get one-gallon cans of a chemical that protects grass against mulching. Used on a grander scale by country clubs, Soil-Set spray is now available for "difficult" home lawns from Alco Oil & Chemical Corp. —P.H.D.

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√ *No business recovery for the unions—they're caught in a cost-price squeeze*

√ *And they're facing a second vexation: organizers out to protect the unions' employees*

BETTER NEWS from the economic front is providing a pick-up for plenty of businessmen these days — but there's at least one executive who is finding precious little to shout about in the early weeks of business recovery. He's George Meany, president of the AFL-CIO, and the cause of his gloom is not hard to find.

Meany is running into the same problem that last year vexed his rivals on the other side of the bargaining table. Simply put, the AFL-CIO's "earnings" are off. Approaching 1961's halfway mark, in fact, the huge union was operating at a deficit of $700,000.

For a company, of course, the obvious remedy would be to try to cut back on costs and then present the dreary news to stockholders. Meany, however, is taking a tack many a businessman would envy. To increase the AFL-CIO's cash flow, he has instituted his own brand of borrowing by simply levying a tax on the union's affiliates. So, for the next six months, the internationals will deposit into the AFL-CIO treasury 8¢ a month per member, 3¢ more than in the past.

Not that these subsidiaries are showing record earnings themselves. Hit by a combination of adverse market factors, almost every one of the 194 international unions is suffering from a sag in membership and cash reserves. Productwise, the unions are not keeping pace with the rise in potential customers. The labor force is increasing, but union membership (now at an 18-year low of 12 million) is declining. Only 38% of the workforce in industries which unions have carved out as their "sales areas" are organized. Last year the unions had 40% of that market. But new sales have hardly covered expenses. Unions lost more elections than they won in 1960—the first year this has happened since the Roosevelt era.

To recoup their market position, the unions are following the tried-and-true method of intensifying their promotion and advertising efforts. Taking a cue from the Fuller Brush technique, they have gone in for "home demonstrations." The Machinists, the Electrical Workers, and the Office Workers, among others, are experimenting with the foot-in-the-door approach. Instead of mass meetings and distribution of handbills at plant gates, organizers are talking up the product to small groups of men and women. Direct-mail advertising has been budgeted upwards. Weekly and bi-weekly sales letters have been going out to blue-collar, white-collar, and professional workers. Reply cards ("we pay the postage") asking for "more information without any obligation" are included in the mail appeals.

One union made a campaign pay off by sending orchids to the ladies qualified to vote in a representation election. "Beer parties," a sales gimmick of the tee-shirt days of union organizing, have gone flat and are on the decline.

There's little about the AFL-CIO

Managing Your Manpower

LAWRENCE STESSIN

balance sheet, in fact, that might lure a flood of investors. Yet one plunger with a net worth of $38 million wants to help the Federation out of the red. This investor, despite his being a former partner expelled for unethical conduct, is ready to bring in some aggressive talent with a proven record of new business expansion. It's the Teamsters Union. Despite his ouster, Jimmy Hoffa has remained on good terms with directors of what was once his "parent company." These are the trade unionists who work with Hoffa's truckers on building and construction projects. If Hoffa should come back into the fold, his union's share of AFL-CIO per capita dues would bring in $136,000 a month. So far, though, President Meany has turned down this source of new capital—at least as long as Hoffa heads up the Teamsters.

Like any other business organization faced with a cost-price squeeze, union management has embarked on a cost-cutting program. Meany announced recently that employees who quit or retire will not be replaced. The headquarters staff of the AFL-CIO has thus been reduced from 613 to a current total of 499. Last year, 199 members of the organizing staff were placed on layoff as an economy measure.

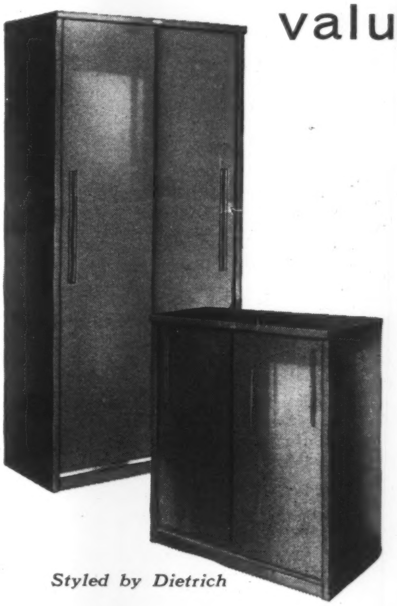
At Walter Reuther's Auto Workers Union in Detroit, similarly, a severe "cut costs" program has been launched. Employees are warned against tardiness, carelessness with office supplies, leaving the office lights on when they leave for the day. A system of raises "by merit only," in which employees are rated on efficiency, initiative and dedication to duty, was introduced last year. Expenses and gas mileage on staff cars are more carefully audited.

Shortages of working capital have spawned other problems. One is labor trouble. Business agents and organizers have been agitating for recogni-

have your dealer show you

BORROUGHS CABINETS

the BIG values of the year



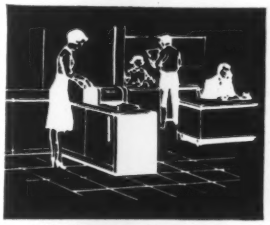
Styled by Dietrich

OF ALL the sliding-door cabinets on the market today, we believe you'll agree that Borroughs Cabinets have more of everything. In styling, design. construction and utility features, Borroughs Cabinets offer dependable quality at economical prices. For instance — long, vertical, anodized aluminum door pulls require only fingertip pressure to slide doors smoothly and quietly— sliding shelves are adjustable without bolting — electrostatically baked-on enamel assures lasting beauty. Borroughs Cabinets merit your thorough consideration.

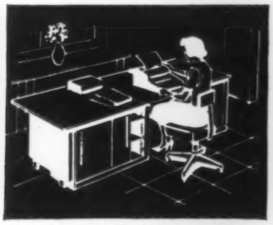
send for illustrated price list

Borroughs' big cabinet line includes sliding door, swinging-door and open-face models in various heights and depths.

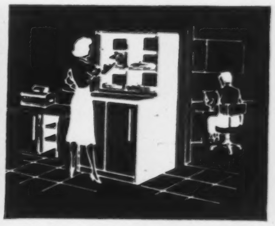
There's always a place for Borroughs Cabinets



Ideal as machine stands



Perfect as desk companions



Efficient 2-tier combinations

BORROUGHS MANUFACTURING COMPANY
OF KALAMAZOO
A SUBSIDIARY OF THE AMERICAN METAL PRODUCTS COMPANY OF DETROIT
3064 NORTH BURDICK ST. amp® KALAMAZOO, MICHIGAN

tion as a collective bargaining unit. And the Federation has already signed a contract with a "union within a union" covering 900 employees.

At first, union management put up token resistance to intra-union collectivism. But today "employer" opposition is full blown. Spearhead of the anti-union-union move is the International Ladies' Garment Workers' Union, which has refused to deal with a group of organizers and business agents calling themselves the Federation of Union Representatives.

Gist of ILGWU's argument is that these workers are no run-of-the-mill rank and filers. They help make policy and are therefore members of management, says the union—and management personnel are not covered by the Taft-Hartley Act. This question will soon be decided by the National Labor Relations Board, which is already on record as saying that "it seems clear that the Congress intended labor unions to be treated like any other employer with regard to their own employees."

The demands of FOUR fall into a familiar pattern. They cover hours, wages, working conditions, and—with considerable emphasis — a formal grievance set-up for processing employee complaints. David Dubinsky, ILGWU president, took umbrage at the charge that the workers needed a negotiated pipeline to the front office. In a letter to the "union within a union," he lamented that the employees had not taken advantage of his "open door policy"—a managerial philosophy first enunciated by that well-known businessman and successful fighter of unions, Andrew Carnegie.

"As to your allegation concerning grievances," wrote Dubinsky, "you are certainly aware and were recently advised that the door to my office has always been open to any individual or any group. That policy still stands. All that is required is a call to my secretary for an appointment."

Dubinsky explains his opposition to union-unionism this way:

"What is a union? One theory is that a union is a business. The members pay dues which are the price for services from an outfit called a union. Under this business idea of unionism, the top officers are merely the board of directors of a corporation, rendering certain paid services. And the other officers of the union are mere employees of the corporation, like

STRONGER IMPACT ON MANAGEMENT TO INFLUENCE BUSINESS DECISIONS

1. THE KEY TO MANAGEMENT MINDS

If your advertising objective is to influence executives, DUN'S REVIEW provides the key to open their minds to your message. Every issue informs management on the trends, developments, and problems in business. Every issue challenges management to improve business planning and operation. Every issue presents original, timely information in an attractive format. Every issue creates a highly receptive and responsive climate for product and corporate advertising directed to management.

2. BUSINESS MARKET PENETRATION

Companies with 50 or more employees account for less than 2 percent of all business concerns yet employ two-thirds of the total work force. Such large and medium firms are the concentrated, volume market in which business and industrial advertising dollars can be most productive. The majority of DUN'S REVIEW subscribers are executives in firms with 50 or more employees and annual sales of $1 million or more. The majority are in Manufacturing and other Industry, but key concerns in Distribution, Finance and Service are well represented. DUN'S REVIEW has subscribers in most of the manufacturing firms worth $1 million or more; in many of the giant manufacturers it has dozens of paid subscribers.

Research indicates at least 50,000 subscribers make decisions on the purchase of each of the following: Advertising, Bank Services, Construction & Plant Sites, Insurance, Materials & Components, Office Equipment, Plant Machinery, and Trucks & Cars. Average personal income is $27,000; 75% of the subscribers own securities; two-thirds have a voice in company purchases of securities; half own two or more cars; 45% serve on institutional governing bodies. Pass-along readership increases total audience to 300,000 executives . . . the most select audience for product and corporate advertising to management.

3. WHERE THE DECISIONS ARE MADE

Research studies show management is the key factor in most business decisions, yet this is the group least accessible to direct sales contact; therefore, the most important target for advertising. DUN'S REVIEW concentrates a very high percentage of its circulation at the key management level:
Of the 120,000 paid subscribers over 80,000 are Corporate Officers (including more than 45,000 Presidents), Owners, Partners, and General Managers.
Over 90% have management titles.
Major responsibilities of most subscribers include administration, finance, distribution, and manufacturing.

4. ADVERTISING RESULTS

Whether you want primarily *to create an image* of your company in the minds of influential businessmen or whether you want *tangible results* such as letters or coupons requesting information or the visit of a salesman, DUN'S REVIEW can provide names of advertisers who have used the magazine successfully for either purpose. Advertiser after advertiser who has received tangible response is impressed by the title of respondents . . . proof of the effectiveness of DUN'S REVIEW as a medium for advertising to management.

5. BREAKING THE PRICE BARRIER

DUN'S REVIEW has built high-quality paid circulation selectively through a useful editorial service devoted specifically to management subjects, and through circulation efforts directed exclusively to important executives. These policies have attracted a uniquely compact management circulation which permits dominant, continuous business advertising at reasonable cost—in fact, little higher than good trade papers. Note the total investment in a program of insertions in each issue (12) for a year:

TWELVE ISSUE PROGRAM INVESTMENT

B&W spread	$32,280	at 24 time rate	B&W page	$17,340	at 12 time rate
Two-color spread	37,080		Two-color page	19,740	
Four-color spread	46,680		Four-color page	24,540	

To influence management decisions, tell the decision-makers who read

DUN'S REVIEW
AND MODERN INDUSTRY
The Business Management Magazine

AUDITED PAID ABC CIRCULATION

CONTROL

“WE FILL ORDERS FASTER WITH MOORE BUSINESS FORMS”

. . . says D. F. Wright, Vice President and Controller for General Mills, Inc., one of the many large companies that build control with Moore Business Forms.

General Mills now fills orders faster, thanks to its automated order-filling system. Efficiency, accuracy and control are other benefits. Customers like having their orders speeded and their deliveries sooner—they can operate with less inventory and release frozen funds.

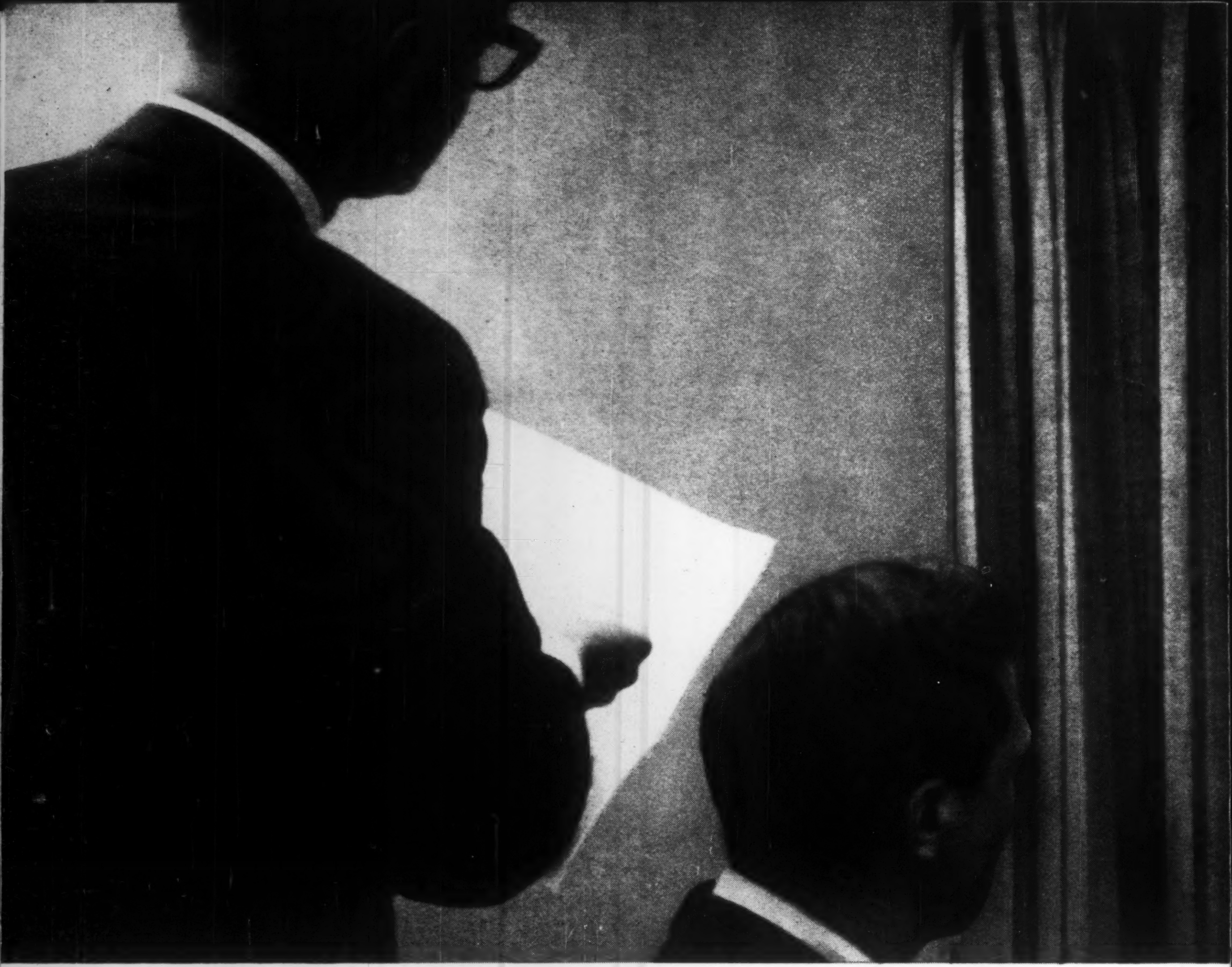
Here’s the system in a nutshell. District offices send salesmen’s orders by Teletype to the Buffalo Distribution Center for action the same day. Information is printed by two receivers, creating two sets of documents — one for order-handling, the other for shipping. A punched tape, the by-product of this operation, is used by General Mills’ Data Processing Center in Park Ridge, Ill., to set into motion the machinery that prints invoices and statistical reports. The Moore form used shows final results and is the Company’s control in print.

“We found valuable the advice and help of someone familiar with data processing and business forms—the Moore man gave us both,” Vice President Wright said.

If you would like help in building efficiency and control through your organization, look up the Moore man in the telephone directory or write the nearest Moore office.

Moore Business Forms, Inc. • Niagara Falls, N. Y. • Park Ridge, Ill. • Denton, Texas • Emeryville, Calif. Over 300 offices and factories in North America.

MOORE ®



New IBM Inventory Management Simulator

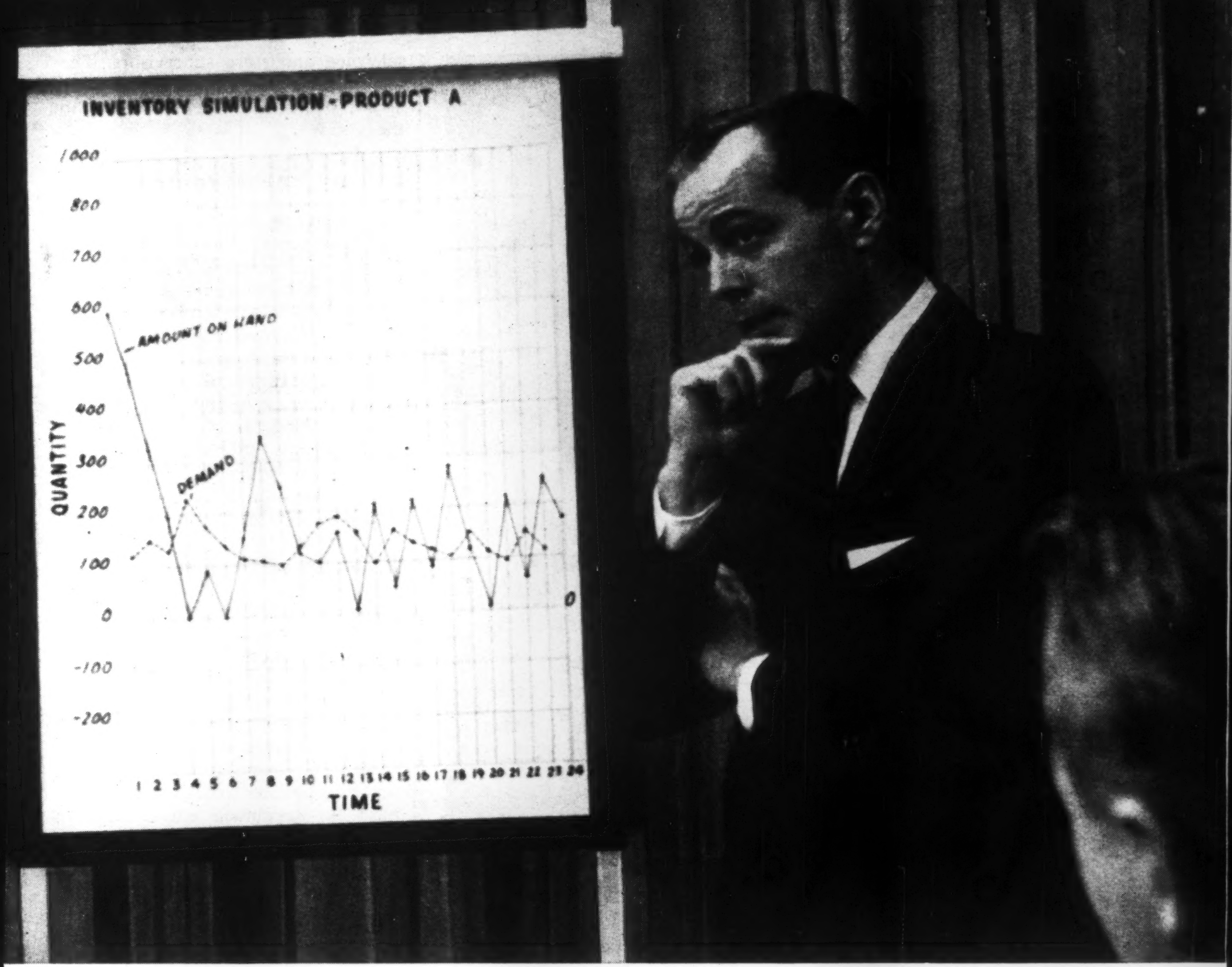
Management pre-tests inventory

How often have you wanted to peer into the future... see the probable results of your inventory policy? **Now you can.** An IBM data processing technique—Inventory Management Simulation—establishes the computer as an invaluable management tool for problem solving and decision making.

This technique lets you test and evaluate alternate plans electronically without disrupting present operations. In effect, it lets you turn *hindsight* into *foresight*.

Simulation is performed by creating within the computer a mathematical model of an inventory control system. Then the model is subjected to various demand situations. In every case, the computer reports what would have happened had this particular system been used to handle each situation. Of course, both the model and the demand factors can be endlessly varied.

Here's the important thing: Through simulation, the trial-and-error method of determining a course of action is performed within the computer—not during the course of your firm's business. This gives you a fast way to test plans under a wide range of conditions before actually putting them


INVENTORY SIMULATION - PRODUCT A
1000
800
700
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-200
QUANTITY
AMOUNT ON HAND
DEMAND
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24
TIME

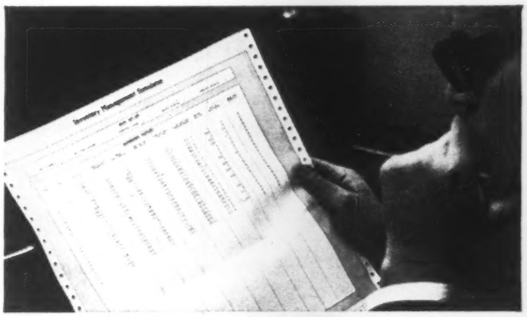
LOOKING AHEAD. Management has run a computer simulation of a proposed inventory plan. Company executives (above) now examine charted results showing how the plan might work, what problems might arise, where improvement might be sought. Print-out sheet (below) from an IBM computer contains facts needed to judge long-range results of a given inventory control plan. Inventory Management Simulation takes much of the guesswork out of planning.

decisions with electronic speed

to use. Unprofitable or inadequate courses of action show up in advance. You avoid them. And you select with confidence the system best suited to your firm's objectives.

Getting started. If you are an IBM customer, you can take advantage of the Inventory Management Simulation Program at once. IBM helps you collect the facts you need...and helps you set up a computer program to analyze them.

Ask your IBM representative to show you how this new technique can uncover *your* most effective inventory policy.



IBM®
DATA PROCESSING

salesmen and store supervisors. The idea that a union official is just a job holder has always been repulsive to the ILGWU."

No Pay Raise Wanted

Not all unions are asking for "more." At Continental Motors, an Auto Worker local voted to pass up a cost-of-living raise, to enable the company to put in a lower bid for ordnance work. At Kaydon Engineer Corp., a Machinists local agreed to lower incentive earnings and backed a new plan to increase output per man hour. At one Goodyear plant, a group of union officials, after visiting company installations with high output, persuaded workers to accept new production standards.

Workweek Worries

President Kennedy's opposition to a shorter workweek has labor leaders in a policy dilemma. Walter Reuther approaches bargaining with Ford this month in the face of a series of local votes in support of shorter workweek demands. Forced retirement at 60 instead of 65 is another union proposal that runs counter to the Government's push for continued employment of older workers.

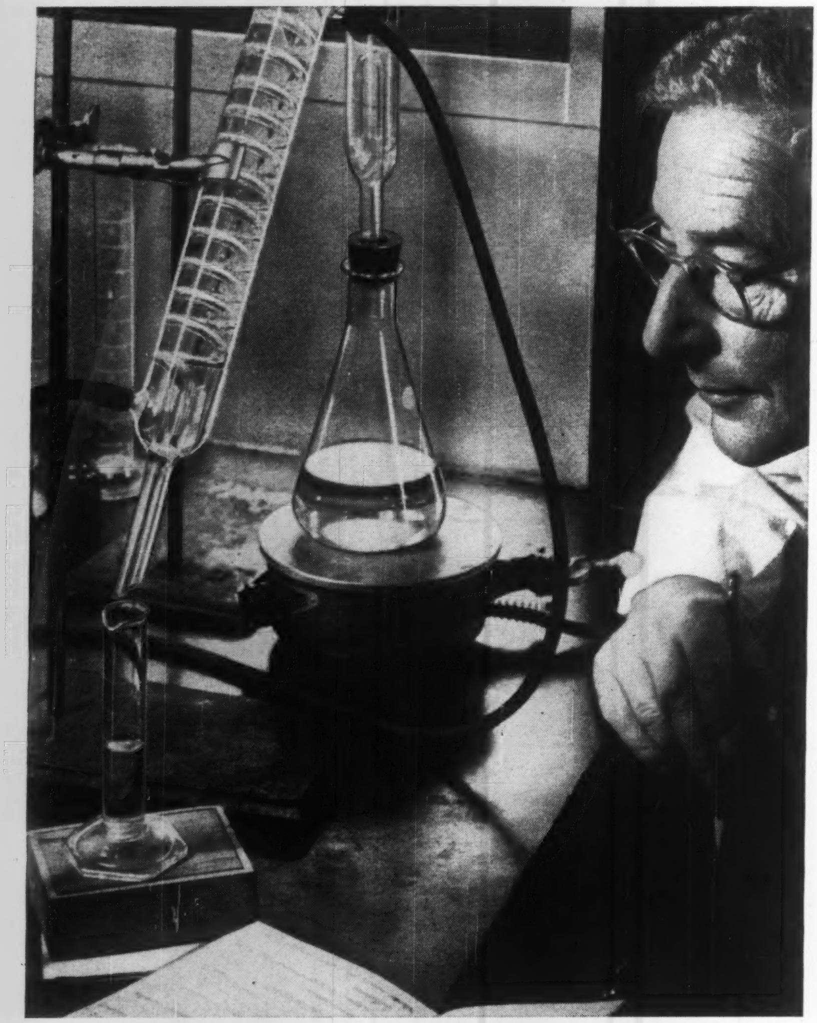
Time Out

The coffee break has become institutionalized enough to warrant a Government study. The Department of Labor has recently finished a survey of what it prefers to call "rest time" practice in industry. The results:

Amount of Rest Time Per Day	Percentage of Workers Covered
Under 10 minutes	1%
10 minutes	5%
15 minutes	4%
20 to 30 minutes	38%
30 minutes or more	31%

Support for Imports

The AFL-CIO has forced a backdown of opposition to foreign imports. The Federation will soon release a report arguing that imports have had a minimal effect on jobs and business. Faced with this pressure, the Clothing Workers and the Electrical Workers have agreed to put off their projected boycotts of Japanese goods.
END



He's looking at tomorrow's spirit fluid

MORE and more, spirit duplicating is called upon to provide the answers to office automation through business systems applications. New duplicators, new masters created to meet these new demands depend heavily upon spirit fluids—literally the life blood of hectograph duplicating.

Columbia—long a leader in research and development of carbon papers, ribbons, duplicating plates and supplies—maintains a continuous scientific probing to assure you the finest products available. Based upon this record of achievement, Columbia research and development will continue to lead the field in the formulation of business writing supplies of the future. For information on how Columbia products may help you, contact the Columbia representative nearest you or write: Hectograph Division, Columbia Ribbon & Carbon Mfg. Co., Inc., 111 Herb Hill Road, Glen Cove, N.Y., or Columbia Ribbon & Carbon Pacific, Inc., Duarte, Calif.

Columbia

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RIBBONS: CLASSIC • COMMANDER • MARATHON • PINNACLE • RAINBOW • SILK GAUZE **CARBON RIBBONS:** COLUMBIA M-50 • COLUMBIA PF-75 • **CARBON PAPER:** PINNACLE CLASSIC • COMMANDER • LECTRICOPY • MARATHON • ACCOUNTANT SPECIAL • PLASTISOL F-100 RAINBOW • SILK GAUZE • **DUPLICATING SUPPLIES:** COLITHO OFFSET • READY-MASTER SPIRIT

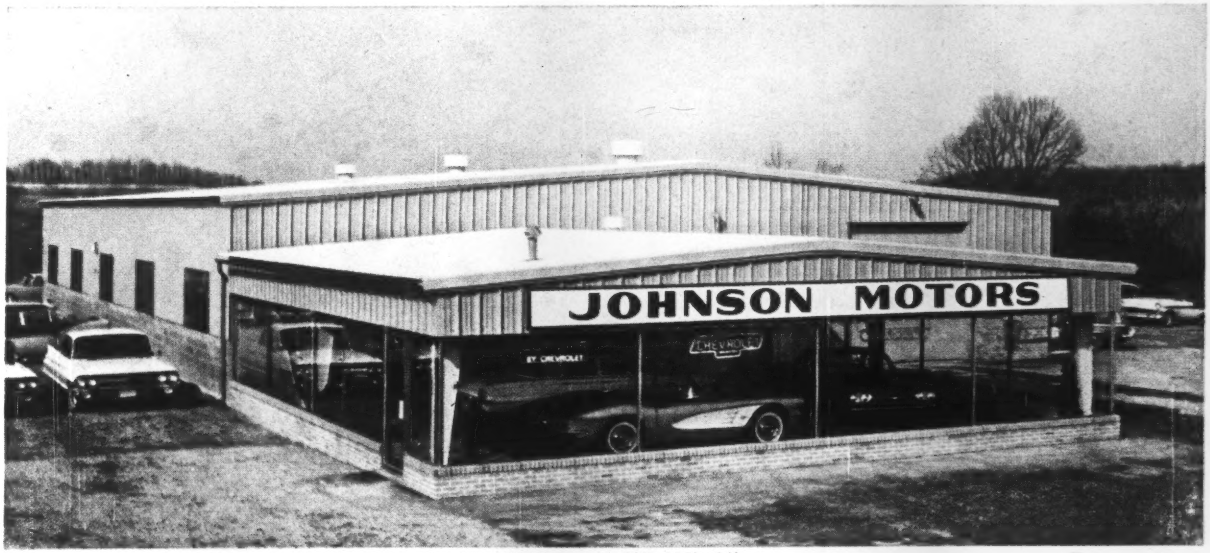
automatic color

Bob and Del Johnson bought this new, steel building like you'd buy a new car. They picked the style and colors they wanted, and then the building was shipped from the factory. This factory-painted galvanized steel building will keep its new look for years—with practically no maintenance.

Steel buildings are strong, permanent and versatile. Yet, you can put up a steel building fast. Because this steel building is pre-engineered and pre-painted, both construction time and costs are way down. There's no floor space wasted by interior posts because the roof is supported by clear-span rigid frames. The building can be expanded easily; and because steel is non-combustible, insurance rates are low. No other type of building can match its utility and economy.

Next time you need a new building—make it steel. For information on the many styles, sizes and color combinations, send the coupon.

USS TRADEMARK **United States Steel**



Johnson Motors, DuBois, Pennsylvania—Showroom 40′ x 40′ x 10′, Shop area 70′ x 100′ x 14′

United States Steel Corporation
Room 6303, 525 William Penn Place
Pittsburgh 30, Pennsylvania

Please send me information about factory-built steel buildings for the following uses:__________

Name__________

Company__________

Address__________

City__________ Zone______ State__________

U. S. Steel does not make factory-built steel buildings, but supplies galvanized steel sheets, structural members and bars to steel building manufacturers. Your request for information will be forwarded to them.

Steel For strength, versatility, beauty, economy

Closer the better!

You don't know what a great convenience a Kodak Verifax Copier is until you have one right in your office or department

No more waiting for copies, no more holding the fort while your secretary trips off to a distant copier. Now, in 1 minute—instead of ten or more—you'll have 5 dry, easy-to-read Verifax copies of anything typed, drawn, written or printed. What's more, with a Verifax Copier right at hand instead of "miles away," you'll take *full* advantage of all the short cuts Verifax copying offers.

Phone local Verifax Dealer today for free office demonstration. Learn how quickly a Verifax Copier pays for itself in savings on travel time alone. (See Yellow Pages under duplicating or photocopying machines.) Or write Eastman Kodak Company, Business Photo Methods Division, Rochester 4, N. Y., for booklet describing all copier models.

Prices quoted are manufacturer's suggested prices and subject to change without notice.

VERIFAX COPIERS

Priced from $99.50 to $425

Kodak
TRADEMARK

Verifax® Copying DOES MORE... COSTS LESS... MISSES NOTHING

International Markets

ALEXANDER O. STANLEY

» *No clouds on Europe's economic horizon, as sales and production continue to boom*

» *Export credits getting bigger and better all around the globe*

» *Tie-in taxes: a badly needed stimulant for U.S. business overseas?*

DESPITE the U.S. recession, both of Europe's common markets—the European Economic Community and the European Free Trade Area—are continuing to register new highs in production and sales. Lack of manpower, rising wages, and rising prices add up to a steady drift towards inflation.

In the EEC, where industrial output went up 12% last year while exports leaped ahead by 29%, German workers are asking for a 12% wage hike—on top of a 9% gain last year. In France, wages rose almost 8%. The Government is now pleading for a 4% lid on pay raises. In Italy, where wages rose slightly over 3%, pressure continues for more pay as orders roll in.

Since the EEC's industrial output and capital outlays are both expected to gain about 7% this year, and its G.N.P. seems headed for a 5% expansion, fatter pay envelopes are likely. Recent cutbacks in tariffs and quotas on imported industrial goods, both from EEC partners and "outsiders," were largely designed to slow down spiraling prices and relieve the inflationary pressure.

Although EEC tariff reductions have occasionally hit bumps in the road, they are now running ahead of schedule. And the idea of freer trade within the bloc is being supported pretty generally by companies in the member nations.

Coming out of shock

Belgium, now trailing its partners in this industrial upsurge, is still trying to recover from the economic shock of the Congo episode and the month-long industry strike. A burgeoning labor supply and a sagging economy have impelled the Belgians to step up their tax and loan inducements to attract foreign capital. Result: U.S. companies have been opening up branch, subsidiary, and licensing operations at the rate of about one a week, double the previous rate.

Meanwhile, Greece is awaiting ratification as a new EEC partner. Under a recently concluded Greek tariff, schedules will be dovetailed with those of the EEC on most products within twelve years. Tied in with this agreement is a $125 million loan from the European Investment Bank to finance public works projects. A new investment law, up for Greek Parliament approval, would give special tax and other accommodations to so-called "productive investment project,"which would bring between $5 to $10 million in fresh capital inflow.

In Europe's other common market zone, the economic picture is somewhat spotty. Spearheaded by the United Kingdom, the EFTA shows a slight further improvement in industrial production, which is up 3% over the early months of 1960. Order backlogs in Britain's metal-working and electrical equipment industries are expanding. And the British Motor Corp., which recently stepped up production schedules to some 700,000 units this year, is shooting for 1 million cars by year-end 1962 for both domestic and export consumption.

Unlike the EEC countries, Britain has been clamping down on imports by stiff tariffs. Reasons: a yawning gap in its international trade balances and a deceptively favorable gold and foreign reserves position, bloated by the influx of "hot money." On the consumer credit front, the U.K. has been alternating between easing and tightening controls. As for financial policy, a push is on for more manipulation and more concerted action by International Monetary Fund members to head off a money drain.

To broaden its own sphere of control, the EFTA is preparing to admit Finland as an associate if not as a full member. The treaty text calls for a 30% cut in Finland's tariffs to EFTA countries by July 1. On that same day, EFTA members will be cutting their own tariffs on goods imported from each other. Depth of the reduction: a solid 30% below the levels of pre-EFTA days.

Climbing European industrial stock indices are reflecting the continued uptrend in business shares. French industrials are up 20 points to 120. Dutch shares are hovering near 440, up 100 points since early this year. British industrials, at 350, are showing a 50-point gain over pre-Christmas levels. Despite their meager incomes, plenty of small European in-

The new compact at Knoll Associates

the compact office electric by Smith-Corona: $225

Full-sized features in a compact size./The new Compact 200 is an office electric priced at a sensible $225. / It's the compact! New American engineering ideas now make parts work more efficiently in a smaller space. / The carriage is 12 inches wide. The keyboard is the same size as a standard electric. Carriage return is automatic. It does all the jobs of a conventional electric—all but the marginal jobs. But it costs just half as much (or about what you would pay for a manual). / To see this new idea in electrics, just call your Smith-Corona Marchant representative, today.

SCM SMITH-CORONA MARCHANT

vestors are plumping down part of their savings to take advantage of these growth opportunities.

The spread of investment doesn't compare with U.S.-style "people's capitalism" (U.S. shareholders are estimated at some 15 million, or roughly 8% of the population). The number of French, British, and Italian investors is put at 6 to 7 million, about half the U.S. percentage. But the rapid spread of public ownership of private corporations is a significant endorsement of free enterprise.

A long way from affluence

Despite fattened pay envelopes, European living standards are still low in many ways. Wages of $1 an hour are the norm in Germany's bustling factories. In Europe as a whole, retired workers are pensioned off at an average of about $1 a day. TV sets abound, but in many countries, indoor bathrooms, small family cars, and telephones are not conveniences but rather status symbols, enjoyed by a comparative few. When it takes almost half a weekly pay check just to buy food, there is little money around to be spent on amenities.

Still, European workers have now tasted enough of the good things of life to be dissatisfied with their living standards. The result is pressure for higher wages and fringe benefits, and the squeeze on profits is today just as much of a headache to European management as it is in the U.S. But in the long run, higher wages—provided they don't go up too fast—will broaden European markets.

1961, in fact, will be another big year for U.S. exporters to Europe. Europe is now absorbing a third of our near-record $20 billion of exports, which were up almost 5% in the first two months of this year. Meanwhile, with our imports down to $2.1 billion, we've got a comfortable trade surplus of close to $1 billion.

Beefing Up the Exports

Britain's Export Credits Guarantee Department, counterpart of our Export-Import Bank, has had to strengthen the competitive posture of U.K. exporters. Premiums have been scaled down by some 25% to a new low rate of .0075% per hundred pounds sterling. A "small business" cover for annual exports below 10,000 sterling (and that *is* small) is now available, designed for British companies that are new to the export business.

Following the lead of Italy and Canada ("International Markets," DUN'S REVIEW, February, 1961), Norway has recently revamped its own credit insurance system. It has doubled the funds earmarked for this purpose to 300 million kroner, but Norway's guarantees in this area are still small, amounting to about 1% of total exports. Larger commitments are, however, likely in the future.

Sweden, too, has doubled its export credits fund to 1 billion crowns. A hemisphere away, Australia is planning to install an export credit system to get into the export race. And the United Nations is studying how to set up new internal and international credit systems patterned after those already in existence. Purpose: to help business men in underdeveloped countries get freely usable long-term loans and credits from the industrialized nations through the use of credit insurance cover. Expanded guarantees of this type now create a powerful inducement for business—especially small business—to go international. As the British put it, "Fill the ships and we shall fill the shops."

Tie-in Taxes

Now that the Administration is moving to toughen the tax laws affecting the income of subsidiaries abroad, and to tie tax deferral to U.S. subsidiary operations in underdeveloped countries, other aspects of tie-in tax laws are coming in for close scrutiny. Here is what one tax expert proposes:

Eliminate special provisions and loopholes in the tax laws and you could cut corporate tax rates while at the same time strengthening the competitive position of U.S. business in world markets. That's the belief of J. S. Seidman, senior member of the New York accounting firm of Seidman & Seidman. He also proposes hiking depreciation allowances to U.S. manufacturers to bring them more in line with write-off rates abroad. This would enable companies to replace obsolete equipment faster with new machinery, thus matching the facilities in competing foreign plants. In Seidman's opinion, both these moves would significantly offset the labor differential and bolster our position in world markets.

BELGIUM

A STRONG
MANUFACTURING BASE IN
THE EXPANDING
EUROPEAN MARKET

BELGIUM

Location in Europe's
most heavily
industrialized area

BELGIUM

Europe's largest pool
of available skilled labor
and technicians

BELGIUM

Government credits
and tax inducements

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Additional incentives
by regions
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A business climate
which has prompted
350 American firms
to establish in Belgium

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We have automatic projectors for point of sale and trade shows. We have desk top viewers for both slides and film strips — with or without sound, designed with your salesmen in mind. **For Information, Write Dept. D-661**

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DAVENPORT, IOWA

Have You a New Address?

An early notice of change of address is helpful—it is usually necessary to have three weeks' notice. Please include the old address and your postal zone number and send the information to the Circulation Department.

DUN'S REVIEW and Modern Industry,
99 Church St., New York 8, N.Y.

the dryest liquid since the dry martini!

Take a dash of compactness, lace with new improvements, mix in a jigger of economy and, as a crowning touch add the photocopy liquid you never see! Presto!

Photorapid
ELECTRAMATIC
PHOTOCOPY MACHINE

Here is the machine that gives you . . . Developer cartridge loading • No mixing, no pouring • You never see the liquid • Triple life to photocopy developer • Plug-in convenience • The finest photographic prints ever • Uniform copies every time

LOADS LIKE A GUN!
All you do is place the sealed developer cartridge in the PHOTORAPID ELECTRAMATIC, turn it on, and start photocopying. Turn it off and the developer automatically flows back into the cartridge. No mess, no fuss, no chemicals left out to slosh around and lose potency.

VERSATILE BEYOND COMPARISON
The PHOTORAPID ELECTRAMATIC skips nothing—copies everything . . . . . . permanently!

Photorapid
CORPORATION

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CENTRAL DIVISION
3620 Oakton St., Skokie, Illinois-JU 8-1600
WESTERN DIVISION
142 Oregon St., El Segundo, Calif.-SP 2-2311

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☐ Sounds good! But I must have a FREE trial before I commit myself. Let us have a look at the ElectraMatic.
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CITY ________
ZONE ______ STATE ______
PHONE ________ Dept. A-4

15 Years of Foreign Aid

With new multi-billion-dollar foreign aid projects now on the docket, it's a good time to take a look at the total tab for our fifteen years of foreign aid.

It adds up to $85.8 billion, of which $60 billion went into economic channels and the rest into military assistance. In comparison, the Communists in six years have underwritten a total of $5.6 billion in aid—$1 billion of it for military assistance.

Dusting the Welcome Mat

It looks as if there will be a concerted effort to whisk travelers through customs everywhere in the non-Communist world. The International Chamber of Commerce will soon be pressuring for elimination, or at least modification, of some of the more exasperating entry requirements. The Chamber, which functions through national committees in 40 countries and is the only top-level business consultative body to the United Nations, is now working towards a world conference on the subject in 1963, though the program may get under way faster.

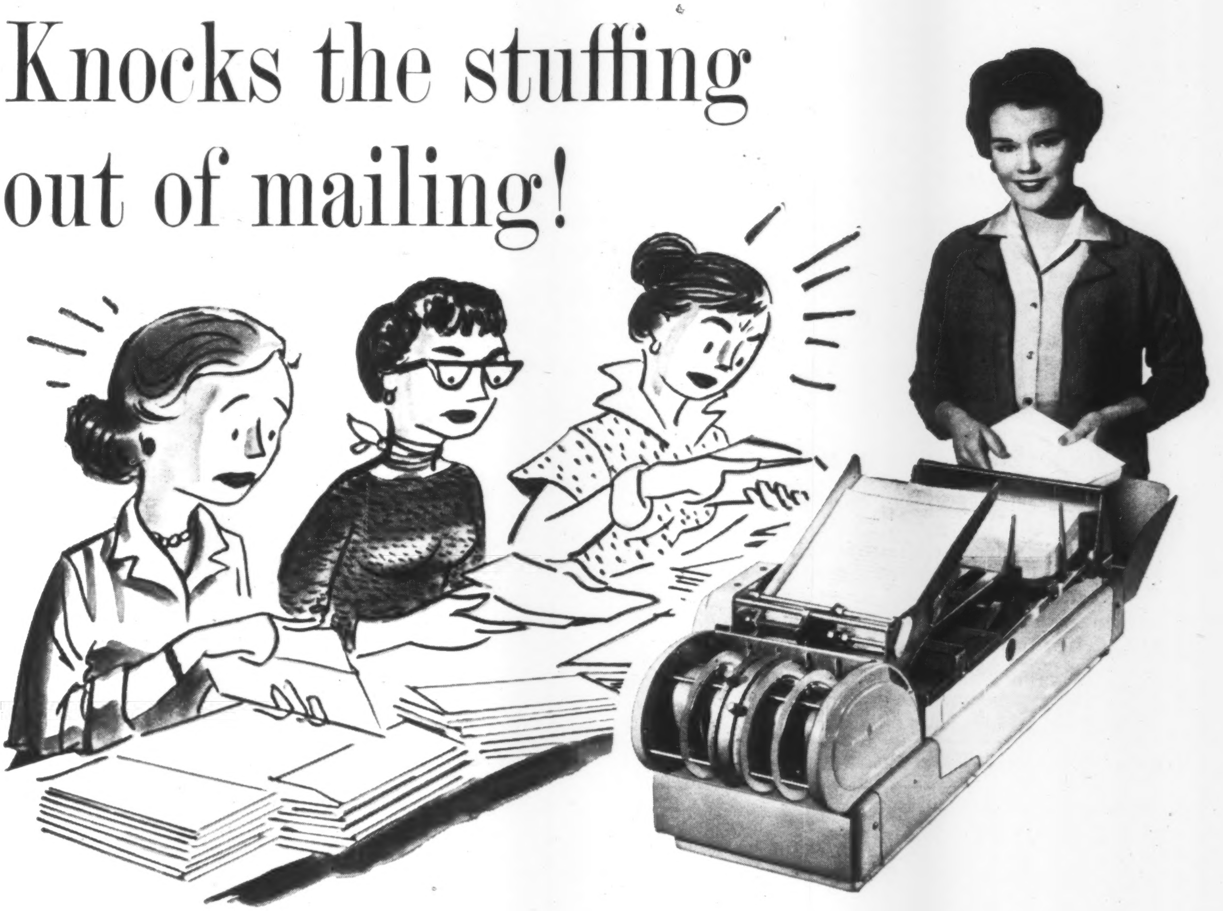
Plenty of countries, of course, now are anxious to lure foreign tourists and, for the first time, the U.S. Government is backing a formal tourism program to cut down the huge dollar deficit in our international travel account. In 1960, this item alone put us $1.7 billion in the red.

Taking a more direct approach, the U.S.-owned Flying Tiger Line has cut its charter round-trip fare between New York and Europe to $99—for European tourists only. Charter fares for Europe-bound U.S. tourists will average nearer $230, still quite an economy package—but these prices are restricted to charter or group organizations which have to abide by fairly tight Civil Aeronautics Board regulations.

The new low round-trip fare from Europe is a lot closer to what the average European vacationer pays to reach tourist spots on the Continent. Until now, the big differential has weakened the U.S. tourist drive. As an added dividend, if more European tourists come to the U.S. that should siphon off some of the restless dollar funds abroad—easing, to that extent, the U.S. balance-of-payments deficit.

END

Knocks the stuffing out of mailing!



Getting out a mailing around here used to be pure grief! We never could find enough extra people to fold and stuff envelopes. We had to drag in secretaries and use girls from other departments. Handed out a fortune in overtime. Regular work schedules were shot, and morale was a dirty word! Now, nothing to it. One girl handles a mailing—with that little Pitney-Bowes folder and inserter. It's paid for itself many times over.

Have you learned about the table model 3300-FH? It can fold and stuff in envelopes 500 standard letter sheets in eight minutes. A double detector prevents the inserting of more than one enclosure, or skipping an insertion.

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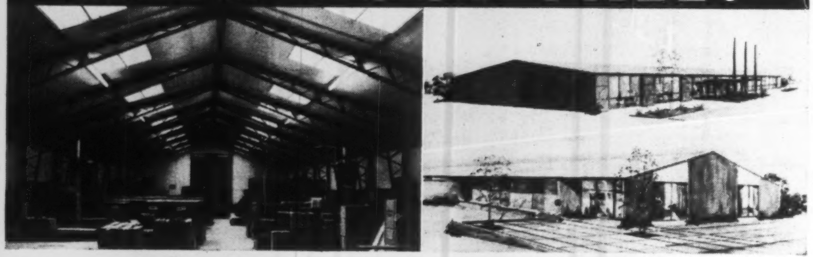

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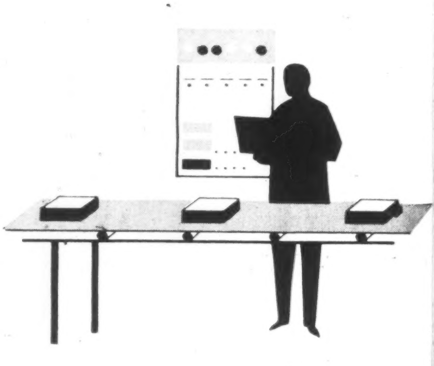


AFTER 60 YEARS in an industrial backwater, hydrofoil ships are about to head into the open seas. This summer the largest hydrofoil ever built in the United States will be launched. A year from October, an ever larger hydrofoil patrol boat will be commissioned. And the U.S. Navy has seven bids on a still larger hydrofoil-equipped vessel, a 300-ton sub destroyer.

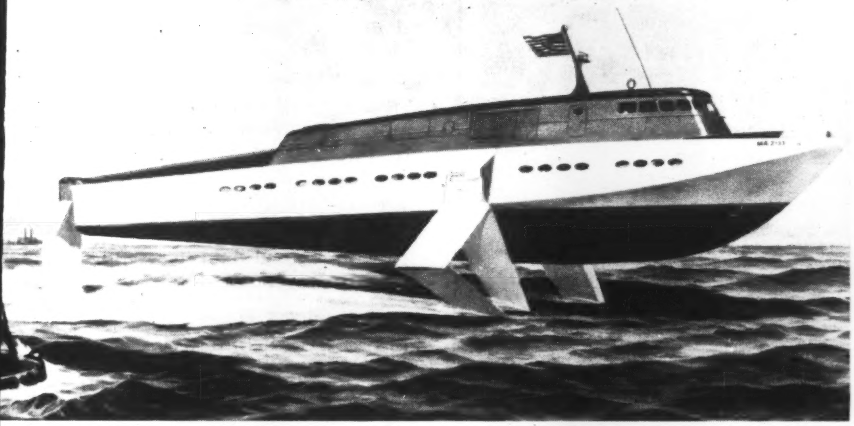
Government spending on hydrofoils, in fact, has swelled from a dribble to a brisk stream. And big airframe builders are competing with each other and with shipyards for a piece of what in five years could be a very substantial and profitable business. The airframe companies say that they know how to build the necessary light-weight hull for the hydrofoil-craft that really fly on tiny submerged wings. The shipwrights and naval architects say they are the experts on hydrodynamics. In the end, airframe builders and shipyards will doubtless have to get together. Parts of hydrofoil ships weighing hundreds of tons may be pre-fabricated in airplane factories, but the vessels will have to be assembled at dockside.

Why the sudden upsurge of interest in the strange ships? The answer is speed. There are many heavily travelled routes along our coasts where door-to-door travel time via hydrofoil would be faster, cheaper and more dependable than by any other carrier, including jet aircraft.

To meet this need, and to bolster the sagging U.S. mercantile fleet, the Maritime Administration is putting $1.5 million into the *H. S. Denison*. The 117-foot, 80-ton, 60-knot boat is nearing completion at Grumman Aircraft Engineering Co., which is sinking over $3 million of its own money into the *Denison*.

Inside Industry

- *The hydrofoils are coming—for naval defense, for recreation, and for commercial application on passenger runs.*
- *Until now they've skimmed ahead in Europe while making little headway here—but big changes are on the way.*



ARTIST'S SKETCH of new giant hydrofoil boat, the 60-knot, 80-ton *"Denison,"* being built by Grumman Aircraft Engineering Co. at Hicksville, L.I.

Grumman has been hot on hydrofoils ever since it bought a half-interest in Dynamic Developments, Inc., a little hydrofoil R&D concern. Boeing Airplane Co. will also spend more than it is getting from the Navy to build the 110-ton "PCH."

The reasons for Navy's overriding interest in hydrofoil ships are obvious. The latest subs may already be capable of moving faster underwater than our fastest destroyers. Yet anti-sub warfare experts say that the surface vessel needs a two-to-one speed advantage over the sub.

How to fight subs

By 1965 our entire antisubmarine warfare fleet will be completely obsolete. There are only three workable alternatives: low-flying blimps dragging sonar gear in the water, hover craft, or hydrofoil-equipped ships. The first isn't working out too well, and the second is still in R & D.

Besides anti-sub duty, the military is interested in hydrofoil landing boats. Compared to the lumbering landing boats of today, fast h-boats would be poorer targets.

What took hydrofoils so long to heave on to the scene? One thing was competition. If you wanted to fly, an airplane was the logical choice.

Also, the early hydrofoil boat builders ran into a lot of turbulent water. From the Wright brothers, who built a hydrofoil-equipped catamaran back in 1907, on through the Germans in World War II, experimenters found their projects jinxed.

But the main deterrent to hydrofoil progress has been the lack of a power plant with a high horsepower-to-weight ratio. Now the biggest aircraft jets are being adapted to hydrofoil use. At a charge of $1, General Electric is providing a 14,000-hp turbine for the *Denison,* which is actually designed to take a

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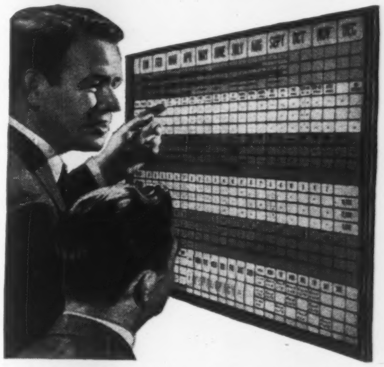

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20,000-hp plant when it is available. Eventually, turbines of 30,000 horsepower and more will be used.

Actually, the Europeans, Russians in particular, are apparently ten years ahead of the U.S. in hydrofoils. The Russians alone are supposed to have 60 hydrofoil riverboats, plan to build 285 more.

The reason for their lead is simple. European boats run in sheltered waters, so the boats don't have to be lifted very high to clear the waves.

America, on the other hand, lost interest in river transportation when the Civil War killed the booming trade down the Mississippi. As a result, American hydrofoils will have to clear the huge waves of the open sea. That means strong, stiff struts down to the underwater wings and long prop drive shafts that lift the ships 8 feet or more out of the water.

Another problem is dollars. Italian-built h-boats cost about $10,000 a ton. Grumman's experts think that they could approach this figure, but only in mass production. This means that a commercial boat like the *Denison* would cost roughly $1 million.

Opportunities galore

The main commercial application for the h-boat is as a "seagoing Greyhound bus." But there are others. Offshore oil-well drillers want them as crew and supply boats. Deep-sea sports fishermen want smaller boats that will take customers out to the fishing grounds in jigtime.

Stanford Research Institute has a $60,000 contract from the Maritime Administration to study the commercial potential of the new craft. The Maritime Administration believes that there are "hundreds of short-haul —under 200 miles—open water runs in which hydrofoil boats will be practical." Businessmen in the Hawaiian Islands, for instance, are tremendously interested in h-boats. At present, passenger service between the islands by air is very expensive because of the short hauls involved. Freight service between the islands is so slow and expensive, that in many cases it is cheaper to import foodstuffs from the mainland. Hydrofoils would mean cheap passenger service and fast freight, helping to open up and develop more of the islands.

Already Northwest Hydrofoil Lines of Seattle has applied to the Maritime Administration for loan insurance to build a pair of hydrofoil ferries. Ma-

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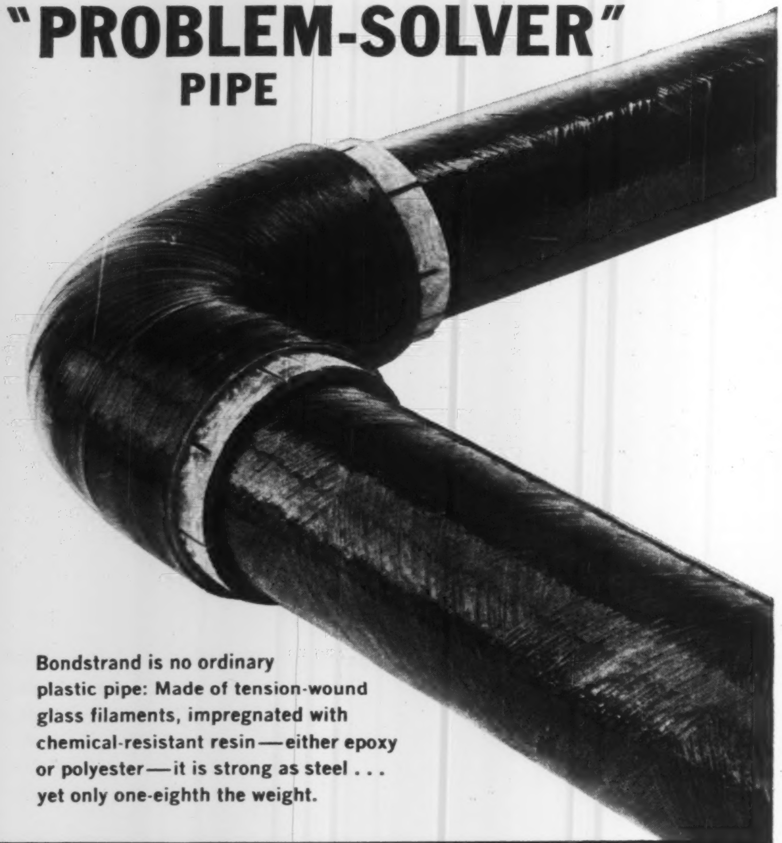

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rine Systems Corp. of Miami will construct the two boats, for a total of $1.5 million. Designed for Puget Sound service, the ferries will weigh 75 tons, cruise at 40 knots, and carry 75 passengers each. H.M. Tiedemann & Co. Inc., the naval architects operating an Italian-built boat in Puget Sound, have drawn up plans for ten hydrofoil taxis and ferries, and are now working out the financing.

Before these ferries and other h-ships can go into commercial service, safety considerations must be fully explored. The Coast Guard is already studying the effects of hydrofoils on coastal traffic. At first the boats will only operate during daylight, and they will need radar to warn of possible collisions.

Fortunately, the high speed of the hydrofoil boat is matched by its remarkable maneuverability. What's more, the boat has a very small wake—even a big hydrofoil passing close by won't swamp a small boat.

The only other safety problem: a foil hitting a submerged or low-floating object. Actually, though, the foils and supporting struts, made of sturdy stainless steel, aren't easily damaged. Hitting a log at full speed would only chop the log in half. Even if an h-boat hit some object heavy enough to knock a foil off, it wouldn't capsize. The loss of lift would merely cause the boat to plump down on its hull.

A question of size

If h-ships aren't planned for long-range commercial travel, there's not much need for building very large ones. Nevertheless, hydrofoil experts say they know how to build a 1,000-ton hydrofoil ship right now—if someone will pay for it. Right now, though, the Navy isn't interested in anything over 500 tons. They hope to have a hydrofoil warship of this size late in the 1960's. The 300-tonner should be under test by 1964.

In the meanwhile, people are getting used to seeing some of the hundreds of little hydrofoil runabouts now skimming over rivers, bays, and lakes. Today three different manufacturers are selling hydrofoil kits for small boats. Some day, not too long hence, hydrofoils will no longer be a novelty, and whole boatloads of paying passengers will be skimming over the water at 60 or 80 or even 100-knots—in perfect safety and bus-like comfort. —M.M.

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The Chase Manhattan Tower at Dawn—Photo by Erich Locker

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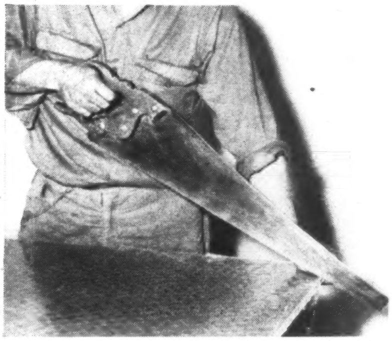

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HONEYCOMB WALL: Sawed like wood, this new plastic paneling with a honeycomb core is strong enough to serve as a load-bearing wall. Air space in the core between the Fiberglas layers provides effective insulation. Translucent, it reduces lighting needs, and requires no maintenance. *"Plastifiber," Plastifiber & Chemicals Co., Crystal Lake, Ill.*

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COMPACT COMPACT: Designed for getting about large plants and warehouses, this lightweight (182 lb.) battery-powered car can take along a trailer that loads 250 pounds. Alone, the car hauls a 100-lb. load or two passengers. Top speed is 5 miles an hour, and the battery is chargeable overnight. *"Delwick," Namisco, Inc., Springfield, N.J.*

GLOSSY COPIES: Shown in cut-a-way view, this new machine is the first that produces commercial-quality glossy photo prints from negatives in ten seconds for ten cents each, outside the traditional darkroom. The photos are suitable for multiple copies of engineering drawings, sales photos. *"Polymicro," Burton Mount Corp., New Hyde Park, N.Y.*

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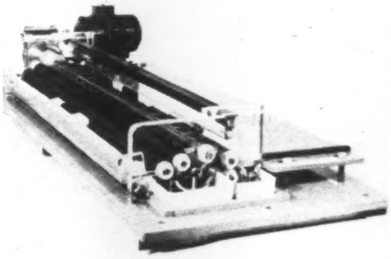

WHITE TOPPING: This new reflective roof coating cuts interior temperatures in summer by 15°F. The butyl rubber alkyd coating can be applied to a variety of conventional roofing materials with a roller, brush, or spray gun. One gallon covers 100 to 150 square feet. *"White Top," Superior Paint & Varnish Corp., 3065 N. Rockwell St., Chicago 18.*

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continued from page 161

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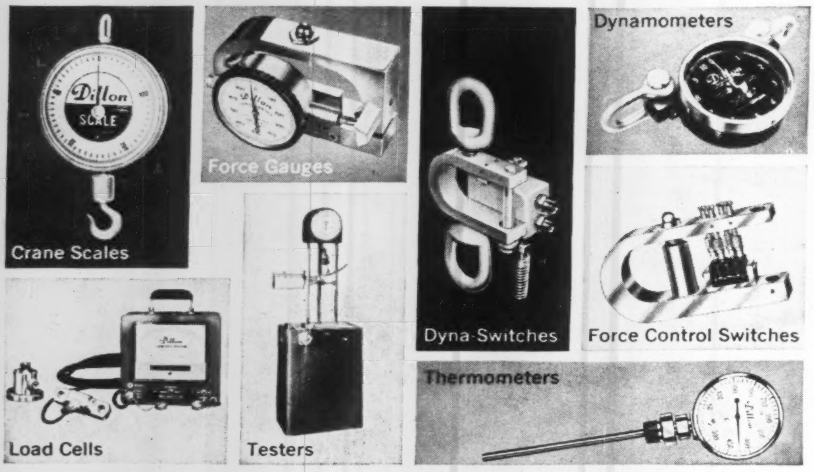

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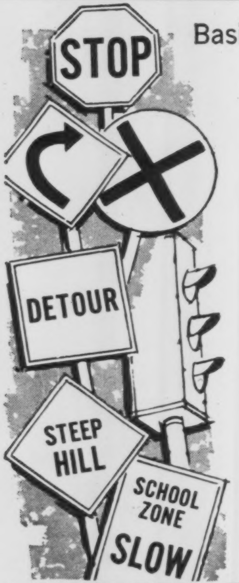

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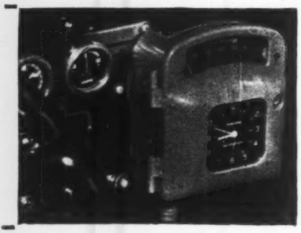

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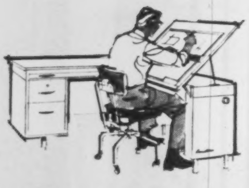

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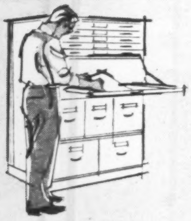

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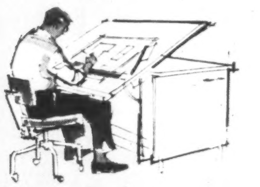

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The Reviewing Stand

Sensible Inventories

A travelling salesman in a Midwestern city said in disgust, to a fellow peddler, "The only thing you can buy a dozen of in this burg are eggs."

At what period does inventory pinching result in profit shrinkage? Commercial failures statistics support the old saying, "More businesses choke to death than starve to death."

But you can't make a profit without a sale, and you can't make a sale without goods on the shelf. A decade ago DUN & BRADSTREET produced a lithograph of The Old Peddler with the slogan, "You Can't Do Business From An Empty Wagon." Millions of copies were distributed, and many are still to be seen on office walls with their pointed message.

Modern transportation, and computing devices tend to reduce inventories in many lines—sometimes, perhaps, to quantities too small to serve the man or woman who wants immediate delivery or none. A little more inventory margin might speed up the rate of acceleration in business volume, especially for the optional buyer who buys what he sees on display. And a little more volume, incidentally, would cut production costs.

Poetry from the Plant

Business and industry in Iowa are joining forces with poets in attempting to find the lyric impulse in their products. "There is no conflict between an automatic control valve and a book of poems," says Paul Engle, a poet of achievement, who is director of the Creative Writing Program of the State University of Iowa. A group of Iowa company presidents are proving the point. They have underwritten *Midland,* a collection of poetry and stories which takes much of its inspiration and vitality from Midwestern industrial and agricultural life. Along with the books on display at the College Festival of Art and Industry are machines, large and small, some metered and some free-wheeling, just like the poetry in the book. Pegasus is beginning to get frisky on renewed horse-power.

Discovering Ethics

When the Editor was a very young man, employed as a construction pay clerk, he came back from an out-of-town job one Saturday afternoon and surprised a shop foreman helping himself to some choice items of inventory at the loading dock. I didn't have an inkling that anything was wrong, but the foreman immediately incriminated himself. "Don't play dumb," said he. "You know what I'm doing." Looking around to make sure no one was listening, he added, "The boss is a crook, and I know it for sure. Some day, he's going to do me dirty, and when he does—we're even."

Ethics is often treated as a yardstick to be applied to our competitors, while our own lack of it is "really" justified. Certainly the Golden Rule ought to apply in any situation, but the primary responsibility of any contract rests with the party of the first part.

Lesson for Planners

The British guns at Singapore were pointed toward the sea. They were designed to protect the Colony against the mightiest men of war. But the Japanese troops came down the Malay Peninsula and the guns, aimed in the wrong direction, were useless. Long term planning calls for short term appraisal of change in point of view. This is a business as well as a military truism. —A.M.S.

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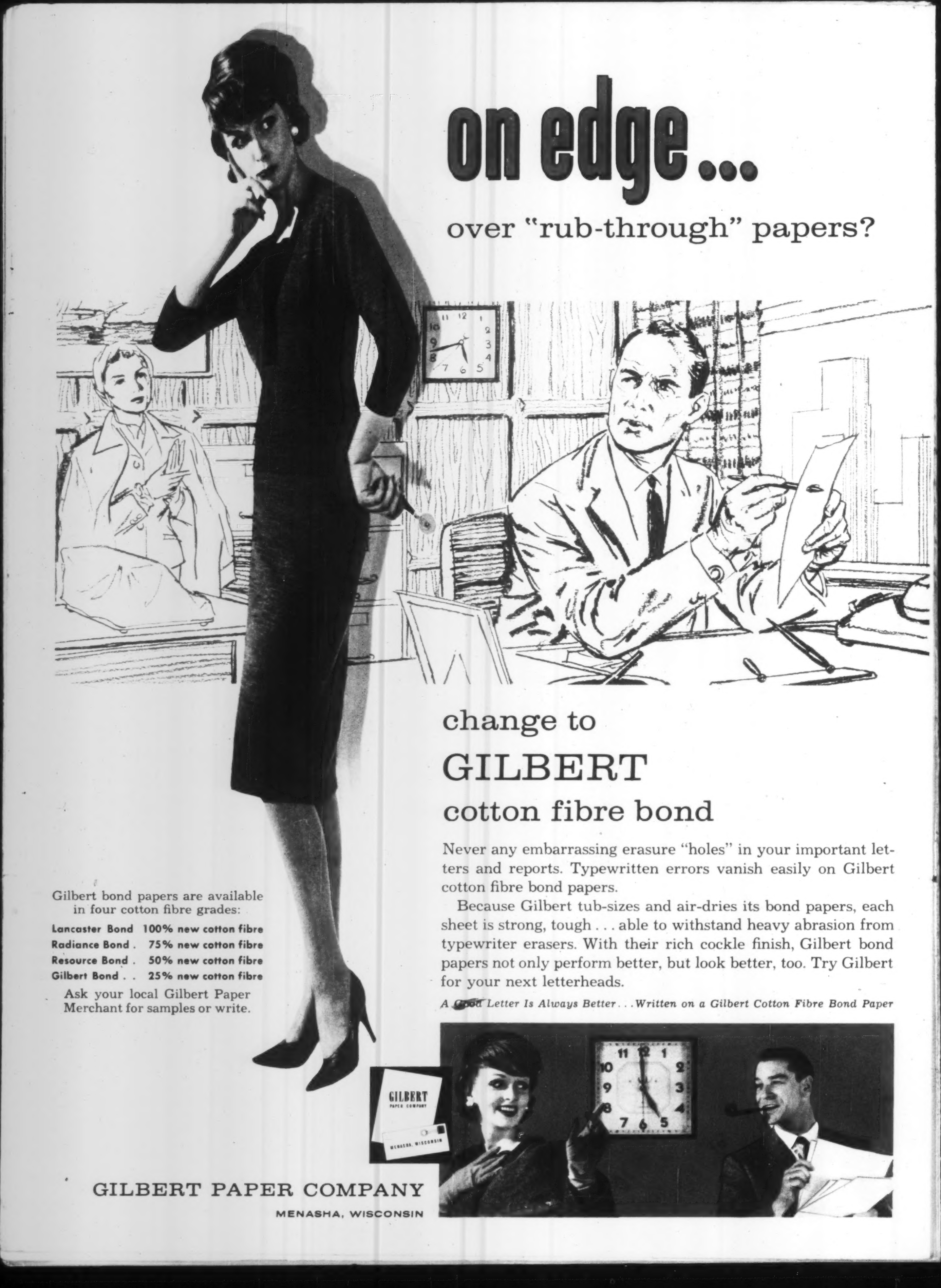

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